

Retirement Application Process



Overview of the Retirement Process:

*"What steps do I need to take to begin
planning for my retirement?"*

Initial Steps for the Agency:

At least one year before an employee is eligible to retire, the agency personnel office should contact the employee to begin the retirement planning process. The agency, along with the retiring employee, should take the following actions:

- Verify that the employee meets the age and service requirements for retirement (under CSRS or FERS) on the anticipated retirement date;
- Complete the Certified Summary of Federal Service (SF 2801-1 for CSRS; SF 3107-1 for FERS). Completing this form will ensure that all civilian and military service has been verified;
- Verify that the OPF contains documentation of all salary information, including:
 - ▶ beginning and ending dates of each period of civilian and military service;
 - ▶ effective dates for all promotions and within-grade increases;
 - ▶ effective dates for all pay changes and pay rates during periods of non deduction service;
 - ▶ tour of duty for any part-time service;

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Overview of the Retirement Process:

*“What steps do I need to take to begin
planning for my retirement?”*

Initial Steps for the Agency:

- ▶ hours or days worked and earnings for any periods of intermittent service;
- Review the Designation of Beneficiary forms for the lump sum distribution of retirement contributions (SF 2808 for CSRS; SF 3102 for FERS). The retiring employee may want to file a new designation;
- Review the OPF for documentation on health benefits and life insurance coverage;
- Review the Designation of Beneficiary forms for life insurance coverage (SF 2823). The retiring employee may want to complete and file a new designation;
- The agency benefits officer should provide annuity estimates for the employee, and advise him or her of the effect of non-payment of civilian deposits and/or redeposits on the annuity, as well as the effect of non-payment of deposits for post-56 military service;
- Review survivor benefit options.

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Getting Answers to Retirement Questions:

"After I retire, who do I contact if I have questions about my retirement benefits?"

The following charts can be used by CSRS and FERS retirees to direct them to the appropriate office(s) if they have questions about their benefits after retirement.

<i>How to Direct Questions to OPM During the Retirement Process & After Retirement</i>	
Situation:	Contact:
General Written Inquiries (Be sure to include CSA #, date of birth, and Social Security # on all correspondence)	Office of Personnel Management Retirement Operations Center Boyers, PA 16017
General Telephone Inquiries	OPM's Retirement Information Office (202) 606-0500 TDD: (202) 606-0551 Toll Free: (888) 767-6738
Application Status Inquiries (no CSA # available)	Contact the former agency personnel or payroll office.
Reports of Death	Office of Personnel Management Retirement Operations Center Boyers, PA 16017 or contact: (202) 606-0500 (888) 767-6738 or E-mail OPM to report the death at www.opm.gov/retire
Address Change (Payment or Correspondence)	Office of Personnel Management Retirement Operations Center Change of Address-Retirement P. O. Box 440 Boyers, PA 16017-0440 or contact: (202) 606-0500 (888) 767-6738

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<i>How to Direct Questions to OPM During the Retirement Application Process & After Retirement</i>	
Situation:	Contact:
Lost or Missing Payments	Office of Personnel Management Recertification: Non-Receipt of Check P. O. Box 7815 Washington, D.C. 20044 or contact: (202) 606-0500 (888) 767-6738
Federal Tax Withholding Amount Changes	Office of Personnel Management Tax-Retirement P. O. Box 961 Washington, D.C. 20044 or contact: (202) 606-0500 (888) 767-6738
Federal or State Tax Inquiries	Office of Personnel Management Tax-Retirement P. O. Box 989 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738
Health Benefits Inquiries	Office of Personnel Management Health Insurance-Retirement P. O. Box 14172 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738
Health Benefits (Disputed Claims)	Office of Personnel Management Health Insurance-Disputed Claims P. O. Box 436 Washington, D. C. 20044

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How to Direct Questions to OPM During the Retirement Application Process & After Retirement

Situation:	Contact:
Court Orders/Garnishment of Annuity	Office of Personnel Management Court Orders/Garnishment-Retirement P. O. Box 17 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738
Survey Responses (Disability Earnings or Marital Status)	Office of Personnel Management Surveys-Retirement P. O. Box 579 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738
Adult Student Certification	Office of Personnel Management Inspections-Adult Student P. O. Box 956 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738
Payments and Overpayment (Debts)	Office of Personnel Management Funds Control-Retirement P. O. Box 7125 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738
Reports of Waste, Fraud, or Abuse	Office of Personnel Management Inspections - Retirement P. O. Box 7174 Washington, D. C. 20044 or contact: (202) 606-0500 (888) 767-6738

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Getting Answers to Retirement Questions:

Note: For information on topics not listed in the chart, contact:

**U.S. Office of Personnel Management
Retirement Operations Center
Boyers, PA 16017**

Or contact: (202) 606-0500
(888) 767-6738

Receipt of First Annuity Check:

When an employee separates for retirement, the agency personnel and payroll offices generally have 30 days to complete the processing of the retirement package before it is forwarded to the Office of Personnel Management (OPM).

When OPM receives the retirement package from the agency, it will send an acknowledgment letter to the retiree that provides him or her with the 7-digit CSA number (claim number)². All inquiries to OPM must contain this number.

Approximately 2-4 weeks after OPM receives the retirement package, a special payment check (interim check) will be sent to the annuitant. The special payment will represent approximately 80-95% of the annuitant's full annuity rate. Once the claim is fully adjudicated, the annuitant is paid an amount equal to the difference between what s/he received in special payments and the amount to which s/he is entitled during the period of special payments.

²Refer to the sample acknowledgment letter at the beginning of this module.

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The annuitant will also receive a Retirement Benefits Booklet explaining his or her benefits³.

The annuitant will not receive a booklet every month. OPM will provide the annuitant with a new booklet when the amount of his or her benefits change (i.e., cost-of-living adjustment, change in health benefits premiums, etc.)

Direct Deposit of Annuity Checks:

Annuitants must utilize direct deposit for monthly annuity checks unless the annuitant declares in writing that s/he does not want to participate in direct deposit, and requests that the monthly check be sent to a home address.

Federal Income Tax Withholding:

As noted in Module 8, OPM will forward a W-4P-A, Election of Federal Income Tax Withholding form, to each annuitant. [The form allows the annuitant to elect to have Federal tax withheld or to not have Federal tax withheld based on the number of exemptions which s/he indicates.] During January of each year, OPM will mail a Form CSA-1099R), Statement of Annuity Paid, to be used by the annuitant when filing Federal Income Tax returns.

State Income Tax Withholding:

If retirees want to have state tax withheld from their annuity, they should contact OPM directly at 1-888-767-6738. Retirees need to provide OPM with a CSA number, the state from which they want taxes withheld, and the dollar amount they want withheld. Retirees do not need to provide a tax status (e.g., married with 3 exemptions, etc.)

³Refer to the sample Retirement Benefits Booklet at the end of this module.

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Retirement Application Process Questions:

Questions/Comments:	Answers:

Retirement Application Process

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YOUR FEDERAL RETIREMENT BENEFITS

Handbook

This handbook presents all of the possible text which may appear in the personalized booklet, "Your Federal Retirement Benefits" which OPM will send to every newly retiring Federal employee who retires under a retirement system administered by OPM. The explanations of the text paragraphs included in this Handbook are designed to help both OPM retirement personnel and agency personnel answer any questions retired or retiring employees may have about the retirement benefits booklet.

YOUR FEDERAL RETIREMENT BENEFITS

Dear [FIRST M. LAST]

I am pleased to let you know that we have completed the process of establishing your retirement benefits.

...To Serve Those Who Have Served... That is what we at OPM's Retirement and Insurance Service are here to do. Our mission is to provide you with friendly, efficient, accurate, and timely benefits.

Your retirement benefits are described in this personalized booklet. You need to read everything that is here; it all applies to you. If, after reading it, you still have questions, we are just a phone call away.

Sidney M. Conley
Assistant Director
Office of Retirement Programs

This introductory page contains uniform language for every booklet. The retiree's name appears here as it appears in OPM's automated retirement records. The only exceptions to this are:

1. If the annuitant's last name exceeds 11 characters, "Retiree" appears in place of the name.
2. If the annuitant's first name exceeds 6 characters, "Retiree" appears in place of the name.
3. If a representative payee is to receive payment on behalf of the retiree, "Retiree" appears in place of the name.

In these instances, the system cannot reliably reproduce the retiree's name and therefore defaults to "Retiree".

The annuitant's CSA number appears in the bottom left corner of every page of the booklet.

PERSONAL STATISTICS

This Explanation of Benefits was prepared
as of [Month, X, XXXX]

Name:

[FIRST M. LAST]

Civil Service Annuity (CSA) Number: CSA

[X XXX XXX]

Social Security Number:

[XXX-XX-XXXX]

Date of Birth:

[MO/DY/YEAR]

Retirement System:

[CSRS/FERS/ORDS/
FERS Special]

Beginning Date of Benefits:

[Commencing Date]

Current Correspondence Address:

[Mailing Address]

Direct Deposit, Type of Account:

[Checking or Savings]

Account Number:

[XXXXXXXXXXXX]

Routing Number:

[XXXXXXXXXXXX]

The amounts shown in this booklet are based upon employment records on file with us as of [Month X, XXXX] and your retirement application. If you believe any of this information is incorrect, please contact us at once. See the chapter "How to Contact Us" in this booklet for instructions. Please keep this with your personal records for future reference.

This page shows personal statistics reflecting information in our automated retirement records system as of the date the booklet was produced. Changes sent to OPM after we begin work on the individual's retirement may not reach us in time for us to adjust our records before the booklet is produced.

Annuitants should report significant errors to make sure our information is up-to-date and correct. They can handwrite corrections in their own booklets, if they wish, after bringing them to our attention.

OPM does not presently have the capacity to produce updated, corrected or current booklets for individuals already retired.

Direct Deposit account information only appears if retiree has arranged to have annuity payments made electronically into his or her savings or checking account.

TABLE OF CONTENTS PERSONAL STATISTICS YOUR MONTHLY BENEFIT YOUR BENEFIT COMPUTATION SURVIVOR BENEFITS HEALTH INSURANCE BENEFITS LIFE INSURANCE BENEFITS CONTRIBUTIONS AND TAX INFORMATION RETROACTIVE BENEFITS EXPLANATION HOW TO CONTACT OPM INFORMATION FOR DISABILITY RETIREES COST OF LIVING, ADJUSTMENTS AND NOTICES PAMPHLETS AVAILABLE KEEPING YOUR ADDRESS UPDATED	<p>The Table of Contents page contains the same entries in the same order for every booklet, with one exception:</p> <p>“INFORMATION FOR DISABILITY RETIREES” only appears for disability retirees.</p> <p>Page numbers for sections listed in the Table of Contents vary from booklet to booklet depending upon volume of text. Total pages may vary from 20 to 30 pages. No actual booklet will have as many pages as this reference document.</p>
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Page 3	↑ Explanations ↑

<p style="text-align: center;">YOUR MONTHLY BENEFIT</p> <p>Monthly Benefit</p> <p>Your benefits began: [Month XX, XXXX] Date of first regular monthly payment: [Month XX, XXXX] Your initial gross monthly retirement benefit is: [XXX,XXX.XX]</p> <p>That amount changed effective [Month XX, XXXX] to: [XXX,XXX.XX]</p> <p>Your retirement benefit is payable on the first business day of each month. Each monthly payment represents benefits for the prior month. (e.g., the [Month 1, Year] payment is for the month of [Month]).</p> <p>Your Voluntary Contributions Benefit</p> <p>Your voluntary Contributions were: [XXXX,XXX.XX] Your additional monthly annuity is: [X,XXX.XX]</p> <p>Because you made additional payments to the retirement fund prior to retirement, you are eligible for this Voluntary Contributions benefit in addition to your monthly benefit shown above.</p> <p>This additional voluntary contributions benefit will be paid with your regular monthly benefit. Your voluntary contributions annuity is not increased by cost-of-living adjustments. Future COLA's will be applied only to your regular monthly benefit.</p> <p>Your FERS Benefit Supplement</p> <p>Because you retired under [FERS/FERS Special] but are not yet eligible for Social Security retirement benefits, you will receive a FERS Benefit Supplement of [XXX,XXX.XX], in addition to your monthly annuity benefit shown above. The Benefit Supplement will continue until you become eligible for Social Security, generally at age 62, subject to data provided in the annual Annuity Supplement Survey.</p>	<p>This is the first of 2 pages describing the retiree's annuity benefit. Only applicable text appears.</p> <p>The date retirement benefits begin (annuity commencing date), date of first regular monthly payment and the current amount of the gross monthly annuity payment, appear for each retiree.</p> <p>This sentence appears if any change to the gross amount occurs between the annuity commencing date and final adjudication.</p> <p>This paragraph appears for every retiree.</p> <p>This section appears to explain how the voluntary contributions annuity works only if additional annuity will be paid to the retiree based on voluntary contributions.</p> <p>This section only appears if a FERS benefit supplement is paid, with "FERS" or "FERS Special" as appropriate.</p>
<p style="text-align: center;">Page 4</p>	<p style="text-align: center;">↑ Explanations ↑</p>

YOUR BENEFIT COMPUTATION

Many factors go into the computation of your monthly benefit. The following information summarizes the major components of your benefit computation.

Type Of Computation

You received the regular retirement computation

Average Salary

The "high-3" average salary in your case is: [XXX,XXX.XX]

Your benefit is based, in part, on the highest average salary during any three year period while you were employed. This three year period does not always occur in the last three years of employment. We have ensured that the average salary we computed is the highest average applicable to your salary history.

Length Of Service

Your benefit is also based, in part, on the amount of Federal service you performed as an employee. Your retirement records showed the following:

Military service included in total: [XX Years, XX Months]
Sick leave included: [X,XXX Hours]
Total Federal Service: [XX Years, XX Months]

We convert the sick leave hours to years, months, and days. Then we add that amount to your other Federal service. Only years and full months are used in the computation; partial months are not counted. The lesser of the amount of sick leave you had at retirement, and the amount you had when you transferred to FERS, was used in your computation.

This page, explaining the type of computation and elements that go into it, appears for every retiree in this general format.

Except for special retirements we can positively identify on the system: disability, Congressional, law enforcement/firefighter, air traffic controller, deferred, ORDS (non-disability) and FERS Special (non-disability) all other types of retirement are described here as "regular".

Sick leave line appears only if sick leave is used in computation.

First 2 sentences in this paragraph only appear if sick leave is used in the computation.

Last sentence appears only for a FERS case in which there is a sick leave amount in the computation.

<div>YOUR BENEFIT COMPUTATION</div> <div>Other Significant Factors</div> <div><p>Your retirement benefit was reduced because you were under age 55 at the time of your retirement. The reduction percentage is 1/12 of 2% for each full month you were under 55.</p><p>Your retirement benefit was reduced because you were under age 62 at the time of your retirement. The reduction percentage is 1/12 of 5% for each full month you were under 62.</p><p>Your computed annuity exceeds the legal maximum of 80% of average salary. Your annuity will therefore be paid at 80%. See Contributions and Tax Information chapter.</p><p>Your computed annuity exceeds the legal maximum of 70% of average salary. Your annuity will therefore be paid at 70%. See Contributions and Tax Information chapter.</p><p>We credited your payment of [\$\$\$XXX.XX] to cover your military service performed after December 31, 1956. Your payment amount is included in the retirement contributions shown in the Contributions and Tax Information chapter. That payment will permit you to continue to receive credit for all of your military service after you become eligible for Social Security benefits.</p></div>	<div>This second Computation page appears if any of the “Other Significant Factors” paragraphs listed here apply.</div> <div>ORDS maximum cases only.</div>	<div>↑ Explanations ↑</div>
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SURVIVOR BENEFITS

In the event of your death, your survivors should call our Retirement Information Office at 1-888-767-6738. Customers within the Washington, DC, calling area must call (202) 606-0500.

You elected to provide survivor benefits as follows based upon **[the full amount, half or a portion]** of your annuity.

The reduction to provide survivor benefits is made from your basic annual annuity at retirement. There are no separate monthly deductions for providing survivor annuities.

Surviving Spouse

Name: [First M. Last]
Social Security Number: [XXX-XX-XXXX]
Date of Birth: [MO/DY/YEAR]

Current Gross Monthly Survivor Annuity: [XXXX.XX]

Former Spouse

Name: [First M. Last]
Social Security Number: [XXX-XX-XXXX]
Date of Birth: [MO/DY/YEAR]

Current Gross Monthly Survivor Annuity: [XXXX.XX]

Insurable Interest

Name: [First M.]
Social Security Number: [XXX-XX-XXXX]
Date of Birth: [MO/DY/YEAR]

Current Gross Monthly Survivor Annuity: [XXXX.XX]

This page, providing survivor annuity information, only appears if the retiree elected to provide a survivor annuity for a current spouse, former spouse, and/or an individual designation as an insurable interest. Most often, it appears for a current spouse annuity.

This line, with the amount of the survivor annuity, only appears for CSRS or ORDS retirees. A FERS or FERS Special survivor annuity can only be computed at the time of the retiree's death.

<p style="text-align: center;">SURVIVOR BENEFITS</p> <p>Surviving Children</p> <p>Any dependent, unmarried children under age 18 (or disabled children over 18 if disabled prior to age 18, or full-time students under age 22) would be eligible for a survivor annuity.</p> <p>Cost-of-living increases to your annuity will increase the value of your survivor benefits.</p> <p>The benefits for which your survivors would be eligible are based upon the "earned" annuity computation, with service projected to age 62 and average salary adjusted for cost-of-living increases, and not the minimum percentage of salary (60% first year, 40% thereafter) paid to you if the earned annuity is less than the minimum.</p>	<p>The paragraphs presented on this page generally appear below those shown on page 8 (of this reference guide) on the same page of the booklet. These paragraphs provide general information on survivor benefits, including benefits for surviving children.</p> <p>This paragraph only appears for FERS and FERS Special disability cases computed at 60% of average salary.</p>
<p style="text-align: center;">Page 9</p>	<p style="text-align: center;">↑ Explanations ↑</p>

Survivor Benefits

Module 5: Survivor Benefits

Objectives:



-
- ☞ Identify who may be eligible to receive a survivor benefit under CSRS and FERS;
 - ☞ Explain the types of benefits payable to survivors of deceased Federal employees under CSRS and FERS;
 - ☞ Identify the types of survivor benefit elections that can be made by CSRS and FERS employees at retirement;
 - ☞ Explain the types of benefits payable to survivors of deceased Federal retirees under CSRS and FERS;
 - ☞ Describe how court-ordered survivor annuities can affect survivor benefit elections made by retiring employees under CSRS and FERS.
-

Survivor Benefits

Benefits Payable to Survivors of Deceased CSRS Employees:



When a CSRS employee dies while working in Federal service, survivor benefits may be payable to a spouse, former spouse, and eligible children, provided that certain eligibility requirements are met.

For survivor benefits to be payable, the deceased CSRS employee must have:

1. Completed at least 18 months of creditable civilian service; and
2. Died while subject to CSRS.

To be entitled to receive survivor benefits, survivors of a deceased CSRS employee must also meet certain eligibility requirements. These requirements are summarized in the chart below:

Spouse:	Former Spouse:	Children:
Must be married to the employee at the time of death; and	Must have been married to the deceased employee for at least 9 months; and	Must have been dependent on the employee at the time of death;
Must have been married to the employee for at least 9 months; unless,	The marriage was terminated prior to the employee's death; and	Must be unmarried;
☞ a child was born of the marriage; or	The former spouse was awarded a survivor benefit by a qualifying court order.	Must be under age 18; or age 18-22 and a full-time student; or
☞ the death was accidental.		Must be over 18 and incapable of self-support due to a disability that occurred prior to age 18.
AND, there must not be a court order awarding the total survivor annuity to a former spouse		

Survivor Benefits

Types of Benefits Payable Under CSRS:



There are two types of benefits payable to survivors of deceased CSRS employees:

1. Survivor Annuity; and,
2. Lump Sum Benefit

CSRS Survivor Annuity:

A survivor annuity is a monthly recurring benefit payable to a spouse, former spouse and/or children who meet the eligibility requirements upon the employee's death. A description of the benefits payable to spouses and former spouses is listed below:

Spouse/Former Spouse Survivor Benefit

Amount of the benefit:	A survivor annuity for a spouse/former spouse is computed as if the employee retired on a disability retirement as of the date of death (refer to the disability retirement section in Module 3 to determine how the benefit is computed). The survivor annuity = 55% of the disability computation.
When the benefit begins:	A survivor annuity begins the day after the employee's death.
When the benefit ends:	A survivor annuity ends upon the spouse's/former spouse's death, or remarriage prior to age 55 (unless the marriage lasted 30 years or more). The survivor annuity can be reinstated if the spouse's marriage terminates
	Note: if a former spouse's remarriage terminates, s/he cannot have the survivor annuity reinstated.

Survivor Benefits

Deceased CSRS

Offset Employees: Survivor benefits payable to spouses of deceased CSRS Offset employees are the same as the benefits payable upon the death of an employee with full CSRS coverage, *until and unless the survivor becomes eligible for Social Security survivor benefits.*



Benefits Payable to Survivors of Deceased CSRS Offset Employees

If a surviving spouse is not entitled to receive Social Security Survivor Benefits:

- ☛ S/he will continue to receive the full CSRS survivor benefits.

If a surviving spouse is entitled to receive Social Security survivor benefits:

- ☛ The surviving spouse receives the full CSRS survivor benefit until becoming entitled to SS survivor benefits, generally at age 60;
- ☛ When the spouse becomes entitled to SS survivor benefits, the CSRS survivor annuity is offset by the amount of the survivor's Social Security benefit based on the period of service in which the deceased employee was under CSRS Offset.

CSRS Children's

Survivor Annuity: Under CSRS, a monthly survivor annuity is payable to dependent children upon the death of an employee (or retiree). This annuity is provided by law; an employee (or retiree) does not have to elect this benefit. Both the deceased CSRS employee and the child must meet certain eligibility requirements for the child to receive a survivor annuity.

The eligibility requirements are listed in the chart on the following page.

Survivor Benefits

CSRS Children's Survivor Annuity Eligibility Requirements:



Employee (and Retiree) Eligibility Requirements:	Children's Eligibility Requirements:	Duration of the Survivor Benefit:
<p>The employee (and retiree) must have:</p> <ul style="list-style-type: none"> <input type="checkbox"/> completed 18 months of creditable civilian service at the time of death; and <input type="checkbox"/> Died while subject to CSRS. 	<p>A child must be:</p> <ul style="list-style-type: none"> <input type="checkbox"/> dependent on the employee (or retiree) at the time of death; <input type="checkbox"/> unmarried; <input type="checkbox"/> under age 18; <input type="checkbox"/> age 18-22 and a full-time student; or <input type="checkbox"/> over age 18 and incapable of self-support due to a disability prior to age 18. 	<p>Beginning date:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A child's annuity begins the day after the employee's (or retiree's) death. <p>Ending date:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The child's annuity ends on the last day of the month preceding the month in which s/he: <ul style="list-style-type: none"> <input type="checkbox"/> marries; <input type="checkbox"/> dies <input type="checkbox"/> turns 18 <input type="checkbox"/> ceases to be a student; <input type="checkbox"/> ceases to be disabled.

Amount of a CSRS Children's Survivor Annuity:

The amount of a children's survivor benefit is a specific amount that is established by law and is increased by CSRS COLA's each year. This benefit is payable in addition to any survivor benefit paid to a spouse (or former spouse).

Survivor Benefits

Amount of a CSRS Children's Survivor Annuity:



2001 Children's Survivor Annuity Rates (Effective 12/1/00)	
Single Orphan:	Double Orphan:
When a child has a living parent who was married to the employee (or retiree), the benefit payable to that child is usually the lesser of:	When a child has no living parent who was married to the employee (or retiree), the benefit payable to that child is usually the lesser of:
1. \$369 per month per child (up to 3 children); or,	1. \$442 per month per child (up to 3 children); or,
2. \$1,107 per month divided by the number of eligible children.	2. \$1,329 per month divided by the number of eligible children.

Health Benefits:

When survivor benefits are payable, health benefits premiums are withheld from the monthly survivor annuity. If a surviving spouse is not eligible to receive a survivor annuity, the health benefits premiums will be withheld from the survivor annuity of the youngest child.

CSRS Lump Sum Payment:

If there is no eligible survivor entitled to receive a CSRS survivor annuity, then the lump-sum payment is paid to the person(s) entitled based on the order of precedence, which is as follows:

- ☞ Designated Beneficiary (SF 2808)
- ☞ Widow or Widower
- ☞ Child or children in equal shares
- ☞ Parents
- ☞ Executor or Administrator of the estate
- ☞ Next of kin

Survivor Benefits

Lump Sum Payment

Under CSRS: The lump-sum payment under CSRS consists of the unrefunded amount of the following:



- ☐ retirement deductions withheld from the employee's pay;
- ☐ redeposits of refunds previously paid;
- ☐ deposits of civilian service;
- ☐ deposits for post-56 military service;
- ☐ in the case of an employee who dies with less than 5 years of creditable service, interest to the date of separation (or transfer to a position not covered by CSRS) on any amount covering over 1 year of service.

Note: Voluntary contributions are not part of the lump-sum credit; however, if an employee dies in service, or after separation from service, the voluntary contributions (plus interest) will be paid in a lump sum under the order of precedence.

Continuing Health Benefits:

Under CSRS, surviving spouses and children of deceased CSRS employees are eligible to continue health benefits if the following requirements are met:

- the deceased employee must have completed at least 18 months of creditable civilian service;
- the deceased employee must have been enrolled in a self and family plan at the time of death; and
- at least one family member must be entitled to receive a survivor annuity.

Survivor Benefits

Benefits Payable to Survivors of Deceased Former CSRS Employees:



A deceased former employee separated from Federal service, left his/her retirement contributions in the retirement fund, and died before becoming eligible for deferred retirement benefits.

Under CSRS, there is no survivor annuity payable to survivors of deceased former CSRS employees. A lump-sum payment of the former CSRS employee's lump-sum credit may be payable under the order of precedence.

Benefits Payable to Survivors of Deceased FERS Employees:



When a FERS employee dies while working in Federal service, survivor benefits may be payable to a spouse, former spouse, and eligible children, provided that certain eligibility requirements are met.

For survivor benefits to be payable, the deceased FERS employee must have:

1. Completed at least 18 months of creditable civilian service; and
2. Died while subject to FERS.

To be entitled to receive survivor benefits, survivors of a deceased FERS employee must also meet certain eligibility requirements. These requirements are the same as those under CSRS. *Refer to the chart on pg. 142 to determine the eligibility requirements for survivors to receive benefits under CSRS.*

Survivor Benefits

Types of Benefits Payable Under FERS:



There are three types of survivor benefits payable to survivors of deceased FERS employees:

1. Basic Employee Death Benefit (BEDB)
2. Survivor Annuity
3. Lump Sum Benefit

Basic Employee Death Benefit:

The Basic Employee Death Benefit is payable to the spouse (or former spouse) of a deceased employee who met certain eligibility requirements upon the date of death. Refer to the table below for a list of the eligibility requirements and the amount of the benefit:

FERS Employee Requirements	Surviving Spouse Requirements	Amount of the Benefit
The deceased employee must have completed 18 months of creditable civilian service; AND Died while subject to FERS.	The surviving spouse must have been married to the employee for at least 9 months, unless; ☞ A child was born of the marriage; or the death was accidental. In addition, there must not be a court order awarding the BEDB to a former spouse.	The BEDB is equal to \$15,000 increased by all CSRS COLA's since 12/1/87. The 2001 BEDB amount, which became effective on 12/1/00 is \$23,386.98 Plus 50% of the employee's final salary or high-3 average salary, whichever is greater.

Survivor Benefits

Basic Employee Death Benefit Payment Options:



The surviving spouse (or former spouse) must elect one of two payment options to receive the BEDB:

1. A lump-sum payment; or,
2. 36 monthly installments

If option #2 is elected, interest is paid on the monthly installments. The spouse can, at any time, cancel the monthly installments and receive a lump sum payment of the unexpended balance. Interest will stop on the last payment.

The BEDB is fully taxable.

FERS Survivor Annuity:

A survivor annuity is a monthly recurring benefit payable to a spouse, former spouse, and/or eligible children who meet the eligibility requirements upon the employee's death.

In order for a FERS survivor annuity to be payable, the deceased FERS employee must:

1. Have completed at least 10 years of total creditable service (18 months civilian); and
2. Died while subject to FERS.

A table listing the benefits payable to spouses and former spouses is on the following page.

Survivor Benefits



Spouse/Former Spouse Survivor Benefit Under FERS

Amount of the benefit:	A survivor annuity for a spouse/former spouse is computed as if the employee retired optionally with no age reduction on the date of death. The spouse is entitled to receive 50% of the deceased employee's basic annuity. (Refer to the FERS computation section in Module 3 to determine how the benefit is computed.)
When the benefit begins:	The survivor annuity begins the day after the employee's death.
When the benefit ends:	<p>The survivor annuity ends upon the spouse's or former spouse's death, or remarriage prior to age 55 (unless the marriage lasted 30 years or more). The survivor annuity may be reinstated if the spouse's remarriage terminates.</p> <p>Note: if a former spouse's remarriage terminates, s/he cannot have the survivor annuity reinstated.</p>

FERS Children's Survivor Annuity:

Under FERS, a monthly survivor annuity is payable to dependent children upon the death of an employee or retiree. This annuity is provided by law; an employee (or retiree) does not have to elect it. Both the deceased FERS employee and the child must meet certain eligibility requirements for the child to receive a survivor annuity.

The eligibility requirements for employees and their children are the same under CSRS and FERS. *Refer to the eligibility chart on pg. 145.*

Survivor Benefits

Amount of a FERS Children's Survivor Annuity:



The amount of a FERS children's survivor annuity is a specific amount that is established by law and increased by CSRS COLA's each year. This benefit is payable in addition to any survivor benefit paid to a spouse. The benefits are the same as those payable under CSRS.

Refer to the children's annuity rates chart on pg. 146. It lists the 2001 rates payable under CSRS and FERS.

Social Security Survivor Benefits:

A monthly FERS survivor benefit payable to any child of a deceased FERS employee (or retiree) is reduced, or offset, by the total amount of any Social Security survivor benefit payable to all children based on the Social Security earnings of the deceased employee (or retiree). In many cases, the FERS children's survivor annuity is reduced to zero.

Under FERS, a children's annuity rate equals:

- ☐ the total amount payable to all children under CSRS;
- ☐ minus the total amount payable to all children under Social Security;
- ☐ divided by the number of eligible children.

Refer to the sample computations on the following page:

Survivor Benefits

FERS Children's Survivor Annuity Examples:



Sample #1 FERS Children's Survivor Annuity Computation	
2 eligible children under age 18	
SSA Monthly Benefit =\$900	FERS Monthly Benefit = \$738 (\$369 x 2 = \$738)
FERS Monthly Benefit	\$738
Minus	
SSA Monthly Benefit	<u>-\$900</u>
FERS Benefit Payable	zero

Sample #2 FERS Children's Survivor Annuity Computation	
1 eligible child under age 18 1 eligible child over 18 (full-time student); not eligible for SSA	
SSA Monthly Benefit =\$450	FERS Monthly Benefit = \$738 (\$369 x 2 = \$738)
FERS Monthly Benefit	\$738
Minus	
SSA Monthly Benefit	<u>-\$450</u>
FERS Benefit Payable	\$288/2 = \$144 per child
Child under 18 gets \$594 per month from SSA and OPM	
Child over 18 gets \$144 per month from OPM; no SSA is payable	

Survivor Benefits

Lump Sum

Payment

Under FERS:



If there is no eligible survivor entitled to receive a FERS survivor annuity, then the lump-sum payment is paid to the person(s) entitled based on the order of precedence. The order of precedence is the same under FERS and CSRS. *Refer to pg. 146 to see the order of precedence.*

Under FERS, the lump sum payment consists of the unrefunded amount of the following:

- ☐ retirement deductions (including CSRS interim and CSRS Offset deductions) withheld from the employee's pay;
- ☐ deposits for civilian service performed prior to 1/1/89;
- ☐ deposits for post-56 military service;
- ☐ For CSRS transferees, redeposits of CSRS refunds previously paid;
- ☐ the variable rate of interest on deductions and deposits if the service covered totals at least one year.

Note:

The FERS Basic Employee Death Benefit is not a survivor annuity; therefore, a surviving spouse can also be paid the lump-sum credit if that person is entitled under the order of precedence.

Survivor Benefits

Benefits Payable to Survivors of Deceased Former FERS Employees:



A deceased former employee separated from Federal service, left his/her retirement contributions in the fund, and died before becoming eligible for retirement benefits.

The eligibility requirements for survivor benefits are listed in the chart below:

Conditions for Payment of Benefits to Survivors of Deceased Former FERS Employees		
If:	And:	Then:
<p>The deceased former employee had performed at least:</p> <p>10 years of creditable service;</p> <p>AND</p> <p>5 of those years were civilian service covered by deductions or deposits, or part of a CSRS component:</p>	<p>The deceased former employee is survived by a spouse who:</p> <p>Was married to the deceased employee on the date of separation;</p> <p>AND</p> <p>Had been married for at least 9 months, or was the natural parent of the deceased's child:</p>	<p>The surviving spouse can elect:</p> <p>1. Lump-sum credit</p> <p>OR</p> <p>2. A survivor annuity (equal to 50% of the basic annuity).</p> <p>The surviving spouse could not begin receiving the annuity until the deceased former employee's eligibility date for the deferred benefit (if living).</p> <p>OR</p> <p>3. A reduced survivor annuity (equal to 50% of the basic annuity, reduced by factors).</p> <p>The surviving spouse could begin receiving the reduced annuity the day after death.</p>

Survivor Benefits

Types of Benefits Payable to Survivors of Deceased CSRS Annuitants:



The chart below lists the types of benefits payable upon the death of a CSRS annuitant.

Types of CSRS Benefits Payable Upon the Death of an Annuitant	
Survivor Annuity	A survivor annuity is payable to a spouse or former spouse in accordance with the retiree's annuity election, or in accordance with a qualifying court order.
Insurable Interest Annuity	An insurable interest survivor annuity is payable if elected by the retiree at retirement.
Children's Annuity	A children's annuity is automatically provided by law. There is no election required.
Accrued Annuity	An accrued annuity is payable under the order of precedence. The accrued annuity equals the amount of the annuity which is unpaid and due to the annuitant as of the date of death.
Lump-sum Credit	A lump sum credit is payable under the order of precedence if: 1. No one is entitled to receive a survivor annuity; and 2. The retiree had not received annuity payments in excess of his/her lump-sum credit.

CSRS Survivor Annuity:

When a CSRS retiree dies, a survivor annuity may be payable to the deceased retiree's spouse, former spouse and eligible children, provided that certain eligibility requirements are met.

For a survivor annuity to be payable (other than to eligible children), the deceased retiree must have:

- ☞ elected a reduced annuity to provide the survivor benefit.

Survivor Benefits

CSRS Survivor Annuity:



The retiring CSRS employee will indicate the type of survivor election s/he wishes to make by completing section D of the SF 2801 (Application for Retirement). We will address the different types of survivor elections later in this module.

The eligibility requirements for survivors of deceased CSRS retiree's are listed in the chart below.

Spouse		Former Spouse		Children	
1.	Must be married to the annuitant at the time of the annuitant's death; and,	1.	Must have been married to the annuitant for at least 9 months;	1.	Must have been dependent on the annuitant at the time of death;
2.	Must have been married to the annuitant for at least 9 months; or	2.	Must have been married to the retiree on or after 5/7/85; and,	2.	Must be unmarried;
3.	A child was born of the marriage; or	3.	The marriage was terminated prior to the retiree's death; and,	3.	Under age 18; or
4.	The death was accidental.	4.	The retiree elected to provide a survivor annuity to the former spouse; or	4.	Age 18-22 and a full-time student; or
AND				5.	Over age 18 and incapable of self-support due to a disability that occurred prior to age 18.
There must not be a court order awarding the total survivor annuity to a former spouse.		5.	The former spouse was awarded a survivor annuity by a qualifying court order.		

Survivor Benefits

CSRS Survivor Annuity:



Survivors are entitled to receive a maximum of 55% of the unreduced basic annual annuity (*exception: insurable interest survivors receive 55% of the reduced annual annuity*). The maximum combined total of all spouse/former spouse benefits cannot exceed 55% of the unreduced basic annual annuity.

Refer to Module 3 (Computing Annuity Estimates) for a discussion of the annuity reduction to provide for a survivor annuity.

Children's survivor annuities are automatically provided by law. Refer to the charts on pages 145 and 146 for a discussion of children's survivor benefits.

CSRS Survivor Benefit Elections:

Under CSRS, a retiring employee can choose from several types of survivor benefit elections at the time of retirement. These are listed below.

Survivor Benefit Elections for Married Employees	Survivor Benefit Elections for Single Employees
<ul style="list-style-type: none">☐ Maximum survivor annuity for a current spouse (or former spouse);☐ Less than maximum survivor annuity for a current spouse (or former spouse);☐ Self-only annuity;☐ Insurable Interest Survivor Annuity;☐ Combination current/former spouse annuity	<ul style="list-style-type: none">☐ Self-only annuity;☐ An insurable interest survivor annuity;☐ A survivor annuity (maximum or less than maximum) for a former spouse;☐ A combination survivor annuity for former spouses.

Survivor Benefits

CSRS Survivor Benefit Elections:



Under CSRS, if a retiring employee elects a less than maximum survivor benefit, s/he can choose the "base amount" used to calculate the survivor benefit. The following examples illustrate how to compute the reduction in the annuity to provide the survivor benefit.

CSRS Maximum Survivor Benefit Example:

- ☐ Assume retiring employee's basic annuity is: \$50,000
- ☐ The CSRS formula used to make the reduction for survivor benefits in the annuity is:

**$2\frac{1}{2}\%$ x 1st \$3600 of the survivor base, plus
10% x the amount of the survivor base exceeding 3600**

2.5%	x	\$3600	=	\$90/year
10%	x	\$46,400	=	\$4,640/year

Total Reduction for Survivor Benefit: \$ 4,730/year

Retiree's Annuity after Reduction: \$ 45,270/year

Survivor Annuity: 55% x \$50,000 = \$ 27,500/year

Survivor Benefits

CSRS Survivor Benefit Elections:



CSRS Less than Maximum Survivor Benefits Example

- ☐ Assume retiring employee designates **\$12,000** as the survivor base
- ☐ Assume employee's basic annuity is: \$50,000

$$\begin{array}{rcl} 2.5\% \times \$3600 & = & \$90/\text{year} \\ \$12,000 - \$3600 = \$8,400 \times 10\% & = & \$840/\text{year} \end{array}$$

Total Reduction for Survivor Benefit:	\$930/year
Retiree's Annuity after the Reduction:	\$ 49,070/year
Survivor Annuity: 55% x \$12,000	\$ 6,600/year

Spousal Consent Requirement:

At retirement, if a married employee does not wish to provide the maximum survivor annuity for a current spouse, s/he must obtain the spouse's consent for a lesser election.

Spousal consent is given on the SF 2801-2, Spouse's Consent to Survivor Election. This form is provided in the SF 2801, Application for Retirement. This form must be signed and dated by the current spouse in the presence of a notary.

If a married employee elects a self only annuity, then the spouse and retiring employee must also complete the *Attachment to the SF 2801*. By signing this form, the spouse consents to the termination of his/her coverage as a family member under the deceased's FEHB family enrollment.

Survivor Benefits

Spousal Consent Requirement:



A retiring employee must elect a survivor benefit for a spouse in order for the spouse to be eligible to continue FEHB coverage upon the retiree's death.

In unusual circumstance, OPM may waive the spousal consent requirement. Contact your agency benefits officer if you have questions about spousal consent requirements.

CSRS Survivor Benefits for Former Spouses:

A former spouse may receive a survivor annuity in one of two ways:

- ☐ As a result of a qualifying court order; or
- ☐ Because the retiring employee elected to provide a survivor annuity for the former spouse.

Court-Ordered Benefits:

A former spouse of a retiring CSRS employee may be awarded a maximum or less than maximum survivor annuity based on a qualifying court order. OPM must honor the court order regardless of whether the retiring employee has made other survivor elections. The requirements for payment of a court-ordered survivor annuity are listed on the next page.

Survivor Benefits

Court-Ordered Benefits:



- ☐ The decree or order was issued by a court in the U.S. or its territories;
- ☐ The divorce took place on or after May 7, 1985, for CSRS retirees;
- ☐ The former spouse must not have remarried prior to age 55 (unless the marriage lasted 30 years or more);
- ☐ The marriage to the retiree must have lasted at least 9 months.

Insurable Interest Survivor Annuity:

Another potential survivor benefit payable under CSRS and FERS is the insurable interest survivor annuity. An insurable interest survivor annuity is a recurring monthly benefit payable to an individual who has an insurable interest in the retiree. Examples of insurable interests include:

- ☞ Current spouse or former spouse;
- ☞ a fiancé;
- ☞ a blood relative closer than first cousin.

The retiree must take a reduced annuity to provide an insurable interest survivor annuity. The reduction amount depends on the age difference between the retiree and the person named as the insurable interest. Refer to the chart on the following page.

Survivor Benefits

Insurable Interest Survivor Annuity:



Cost of an Insurable Interest

Age of Person Named in Relation to that of the Retiring Employee	% Reduction in Annuity
<input type="checkbox"/> Older, same age or less that 5 years younger	10%
<input type="checkbox"/> 5 but less than 10 years younger	15%
<input type="checkbox"/> 10 but less than 15 years younger	20%
<input type="checkbox"/> 15 but less than 20 years younger	25%
<input type="checkbox"/> 20 but less than 25 years younger	30%
<input type="checkbox"/> 25 but less than 30 years younger	35%
<input type="checkbox"/> 30 or more years younger	40%

Note: Insurable interest elections and benefits are the same under CSRS and FERS.

Refer to the example of an insurable interest reduction below.

<input type="checkbox"/>	Retiring employee's basic annuity:	\$24,000
<input type="checkbox"/>	Retiring employee elected insurable interest survivor annuity for a person 8 years younger.	
	Computation of reduction:	
	15% x \$24,000 =	\$3,600
	Annuity after Reduction:	\$20,400
	Insurable Interest Survivor's Annuity:	
	55% of \$20,400 (reduced annuity) =	\$11,220

Survivor Benefits

Termination of Survivor Benefits:



Survivor benefits for spouses and former spouses will terminate upon one of the following events:

- ☞ The spouse's or former spouse's death; or
- ☞ The spouse's or former spouse's remarriage before age 55 (unless the marriage lasted 30 years or more).



If the spouse's remarriage later ends in divorce, the survivor annuity can be reinstated. If a former spouse's remarriage later ends in divorce, the survivor annuity **cannot** be reinstated.

Can the Survivor Annuity Election Be Changed?

A retiree can revoke or change the survivor election made without penalty if, not later than 30 days after the date of the first regular annuity check, the retiree files a new written election with OPM. The retiree must obtain his/her spouse's consent for any changes in the election that will not provide the maximum survivor annuity for the spouse.

Survivor Benefits

Increase the Survivor Annuity:



A retiree may request, in writing, to change a current spouse survivor election within 18 months after the commencing date of the annuity.



If a less than maximum annuity or self-only annuity is elected at retirement, the retiree may increase the amount within 18 months after retirement. The additional reduction in the annuity, plus interest, will be retroactive to the retirement date.

Marriage after Retirement:

Generally, if a retiree marries after retirement, the retiree may elect within two years of the marriage a survivor benefit for the current spouse. The reduction in the annuity, plus interest, to provide the survivor benefit for the spouse will be retroactive to the retirement date.

Death of Spouse:

If the spouse or former spouse pre-deceases the retiree, s/he can have the annuity payment recomputed to eliminate the reduction in the annuity for the survivor benefit.

If the spouse or former spouse pre-deceases the retiree, the retiree should contact OPM to report the death. The retiree will also need to provide documentation of the spouse's death.

Survivor Benefits

CSRS Lump Sum Benefit:



Under CSRS, a retiree's contributions are paid to a survivor (or survivors) in a lump sum if there is no one eligible to receive a survivor annuity, and if the retiree had not received annuity payments in excess of his/her lump sum credit. The lump sum benefit is paid according to the order of precedence, which is as follows:

- ☞ Designated Beneficiary (SF 2808)
- ☞ Widow or Widower
- ☞ Child or children in equal shares
- ☞ Parents
- ☞ Executor or Administrator of the estate
- ☞ Next of kin

The retiring employee can designate a beneficiary by completing the SF 2808, Designation of Beneficiary for Lump Sum Retirement Contributions. The retiring employee should verify whether there is an existing SF 2808 on file before retiring.

Types of Benefits Payable to Survivors of Deceased FERS Annuitants:



The types of benefits payable to survivors of deceased FERS annuitants are the same as those payable under CSRS. *Refer to the chart on pg. 156 to see a list of the 5 types of benefits payable upon the death of an annuitant.*

Survivor Benefits

FERS Survivor Annuity:



When a FERS retiree dies, a survivor annuity may be payable to the deceased retiree's spouse, former spouse, and eligible children provided that certain eligibility requirements are met.

For a FERS survivor annuity to be payable (other than to eligible children), the deceased retiree must have:

- ☞ elected a reduced annuity to provide the survivor benefit.

The retiring FERS employee will indicate the type of survivor election s/he wishes to make by completing section D of the SF 3107, Application for FERS Retirement.

The eligibility requirements for potential beneficiaries to receive a survivor annuity are the same under CSRS and FERS. *Refer to the eligibility chart on pg. 157.*

Under FERS, the maximum combined total of all survivor benefits cannot exceed 50% of the unreduced basic annual annuity.

Children's benefits are automatically provided by law to eligible children. An election for children's survivor benefits is not required.

Survivor Benefits

FERS Survivor Benefit Elections:



Under FERS, a retiring employee, whether married or single, can choose from several different types of survivor benefit elections. The elections for married employees and single employees are the same under CSRS and FERS.

Refer to the chart on pg.158 to see a list of the survivor benefit elections for FERS employees.

Amount of the Survivor Benefit:

Under FERS, if a retiring employee elects the full survivor benefit for a current spouse (or former spouse):

- ☞ The annuity will be reduced by 10% to provide the election; and,
- ☞ Upon the annuitant's death, the surviving spouse (or former spouse) will receive 50% of the basic annual annuity.

If a retiring employee elects the partial survivor benefit for a current spouse (or former spouse):

- ☞ The annuity will be reduced by 5% to provide the election; and,
- ☞ Upon the annuitant's death, the surviving spouse (or former spouse) will receive 25% of the basic annual annuity.

Refer to the examples of FERS survivor benefit reductions on the following page.

Survivor Benefits

FERS Survivor Benefit Elections:



FERS Full Survivor Benefit

Assume retiring employee's benefit is	\$9000 per yr.
Reduction for survivor benefit is	<u>x 10%</u>
Total Annuity Reduction	\$ 900
Retiree's annuity after reduction:	\$9,000 - 900 = \$8,100 per yr.
Survivor annuity:	\$9,000 x 50% = \$4,500

FERS Partial Survivor Benefit

Assume retiring employee's benefit is	\$9,000 per yr.
Reduction for survivor benefit is	<u>x 5%</u>
Total Annuity Reduction	\$ 450
Retiree's annuity after reduction:	\$9,000 - \$450 = \$8,550 per yr.
Survivor annuity:	\$9,000 x 25% = \$2,250

Note: If an employee transferred from CSRS to FERS, the reduction for the survivor annuity and the payment of the survivor benefit will be paid under **FERS rules** even though part of the annuity is computed under CSRS rules.

Survivor Benefits

Spousal Consent Requirement:



At retirement, if a married employee does not wish to provide the maximum survivor annuity for a current spouse, s/he must obtain the spouse's consent for a lesser election.

Spousal consent is given on the SF 3107-2, Spouse's Consent to Survivor Election. This form is provided in the SF 3107, Application for FERS Retirement. This form must be signed and dated by the current spouse in the presence of a notary.

If a retiring FERS employee elects a self only annuity, both the employee and the spouse must complete the *Attachment to the SF 2801*. Refer to *pg. 160* for more information on survivor annuity elections and a spouse's eligibility to continue FEHB coverage.

Note:

In unusual circumstance, OPM may waive the spousal consent requirement. Contact your agency benefits officer if you have questions about spousal consent requirements.

FERS Survivor Benefits for Former Spouses:

A former spouse under FERS may receive a survivor annuity in one of two ways:

1. Through a qualifying court order; or,
2. Through a survivor election made by the employee at retirement.

Survivor Benefits

Court-Ordered Benefits:



The former spouse of a retiring FERS employee may be awarded a full or partial survivor annuity based on a qualifying court order. OPM must honor the terms of the court order regardless of whether the retiring employee has made other survivor elections.

The major difference between court-ordered benefits under CSRS and FERS is that under FERS, there is no marriage date requirement, so the court order may be qualifying regardless of the date the marriage ended.

Termination of Survivor Benefits:

Survivor benefits for spouses and former spouses terminate under the same conditions under CSRS and FERS. *Refer to the section on pg. 164 under CSRS.*

Can the Survivor Annuity Election Be Changed?

Under FERS, the retiree has the same options for changing the survivor elections as CSRS retirees before and after the retirement claim has been finalized.

Refer to pg. 165 for more information on making changes to the survivor election.

Survivor Benefits

FERS Lump Sum Benefits:



The lump sum provisions under FERS are the same as those under CSRS with regard to how the lump sum benefit is paid. The only difference is the form used to file a Designation of Beneficiary to receive the lump sum contributions. Under FERS, the retiring employee can complete the SF 3102, Designation of Beneficiary for Lump Sum Retirement Contributions. The retiring employee should verify whether there is an existing SF 3102 on file before retiring.

Refer to pg. 166 for more information on payment of Lump Sum Benefits.

Survivor Benefits

Survivor Benefits Questions:



Questions/Comments:	Answers:
1.	
2.	
3.	
4.	
5.	
6.	
7.	

Survivor Benefits

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Module 6: Health Benefits and Life Insurance (FEHB/FEGLI)

Objectives:



- Identify important features of the Federal Employees' Health Benefits program (FEHB);
- Explain eligibility requirements to continue FEHB coverage into retirement;
- Describe FEHB coverage options and costs for annuitants;
- Explain options if not eligible to continue FEHB coverage into retirement;
- Identify features of the Long-Term Care Insurance Program;
- Explain important features of the Federal Employees' Group Life Insurance Program (FEGLI);
- Explain eligibility requirements to continue FEGLI coverage into retirement;
- Explain FEGLI post-retirement coverage options and costs of premiums;
- Explain methods of payment options for FEGLI benefits.

Health Benefits & Life Insurance

Federal Employees' Health Benefits (FEHB) Program:

Program

Highlights:

The Federal Employees' Health Benefits Program (FEHB) became effective in July 1960. Both CSRS and FERS employees and annuitants can elect to participate in FEHB. FEHB coverage is identical under CSRS and FERS.



FEHB offers several benefits for its participants, such as:

- Guaranteed coverage;
- Coverage without a medical exam;
- Coverage without restrictions because of physical conditions;
- Choice of insurance plans and options;
- Government contributions;
- Long-Term Care Insurance¹
- Temporary coverage if enrollment terminates;
- Coverage for retirees (if eligible);
- Coverage for survivors (if eligible).



Types of Plans:

FEHB offers two types of insurance plans for its participants.

1. Fee-for-service plans; and,
2. Prepaid plans

¹The Long-Term Care Insurance Security Act was passed in September 2000. The program is expected to go into effect no later than October 2002.

Health Benefits & Life Insurance

Federal Employees' Health Benefits (FEHB)

Program:

Types of

Plans:

Fee-for-service plans reimburse the enrollee or health care provider for services. Under a fee-for-service plan, the enrollee may choose his or her own doctor, hospital, or specialist(s), if needed.

Prepaid plans are health maintenance organizations (HMO's/CMP). HMO plans provide medical care through designated plan physicians, hospitals and specialists. Prepaid plans are also organized geographically, which means that to participate in a certain prepaid plan, the enrollee must live in the enrollment area for a specific plan.

Types of

Enrollments

and Options:

Under FEHB, there are two types of enrollments:

1. Self-only coverage; and,
2. Self and family coverage.

Under self and family coverage, participants can cover eligible family members. Family members are entitled to the same benefits as the enrollee. For FEHB purposes, family members include the following:

- Spouse;
- Unmarried dependent children under age 22 (this includes legally adopted children, recognized natural children, and step-children, grandchildren and foster children who live with the employee in a parent-child relationship);
- Unmarried dependent children age 22 or older who are incapable of self-support due to a disability that existed prior to age 22.

Health Benefits & Life Insurance

Federal Employees' Health Benefits (FEHB) Program:

Types of Enrollments and Options:

Under FEHB provisions, a *former spouse* is not considered a family member. A former spouse, however, may be able to obtain FEHB coverage under the spouse equity provisions or through temporary continuation of coverage.

Note: For more information about health benefits coverage for former spouses, check with your agency personnel office.

FEHB also provides two types of enrollment options for its participants:

1. High option; and,
2. Standard option

FEHB identifies the health benefits carriers and the type of enrollment and option by a code. The first two digits of the code identify the health carrier; the last digit of the code identifies the enrollment and option:

- 1 = self only, high option;
- 2 = family, high option;
- 3 = self only, standard option;
- 4 = family, standard option

Health Benefits & Life Insurance

Continuing FEHB Coverage into Retirement:

Under CSRS and FERS, retiring employees may continue health benefits coverage into retirement if they:



- ☞ Are insured on the date of retirement;
- ☞ Retire on an immediate annuity;
- ☞ Have been enrolled (or covered as a family member) under the FEHB program for:



- ☐ 5 years immediately preceding retirement²; or,
- ☐ Since their first opportunity to enroll in FEHB.

Waivers of the 5-Year Requirement:

The 5-year requirement may be waived by OPM in special circumstances. To be considered for the waiver, an employee must be enrolled in an FEHB plan at the time of separation for retirement, and, generally, the employee must request the waiver by writing to OPM.

OPM has recently amended its waiver policy for employees who work for agencies that have, or will be, offering individual buyout authority (Voluntary Separation Incentive [VSIP] legislation differs among agencies.) Under OPM's amended policy, OPM will grant pre-approved waivers to employees who meet certain requirements. The requirements are listed on the next page.

²Coverage under CHAMPUS and Tri-Care can be included towards the 5-year coverage requirement; however, the employee must be enrolled in an FEHB program and the insurance must be in effect at the time of retirement.

Health Benefits & Life Insurance

Continuing FEHB Coverage into Retirement:

Waivers of the 5-Year Requirement:

To qualify for a pre-approved waiver:

1. The employee must have been continuously covered under FEHB since October 1, 1996, or the beginning date of the agency's latest buyout authority, whichever is later;
2. Retire during the agency's buyout period; and,
3. Receive a buyout under the agency's buyout authority; or,
4. Retire under the early-out authority in the agency; or
5. Retire under an involuntary separation.

If you retire on a regular optional retirement during a buyout period, but do not qualify for a VSIP, you will not be eligible for a pre-approved waiver of the 5-year requirement. You may still write to OPM to request a waiver, but OPM gives consideration to these waivers on a case-by-case basis. Waivers should be sent to the following address:

Office of Personnel Management
Retirement and Insurance Service
Office of Retirement Programs
1900 E Street, NW
Washington, DC 20415-3532

Annuitants can also continue FEHB coverage for their eligible family members.

Note:

If an annuitant does not elect a survivor benefit for a current spouse, the spouse will not be eligible to continue the health benefits coverage upon the death of the annuitant.

Health Benefits & Life Insurance

Continuing FEHB Coverage into Retirement:

Premium Payments:

Generally, if annuitants are eligible to remain in the FEHB program, they pay the same premiums as employees. There is, however, a difference in the way in which the premiums are withheld. Premium conversion became effective for Federal employees in October 2000.

- ☞ Premium conversion allows the FEHB premiums for employees to be withheld before taxes are deducted (pre-tax payments, just like TSP contributions.)
- ☞ Premium conversion helps to lower an employee's taxable income. Annuitants, on the other hand, continue to have their FEHB premiums deducted after taxes have been applied.

Reemployed annuitants and survivor annuitants enrolled in FEHB coverage may be eligible to participate in premium conversion. If you become a reemployed annuitant or a survivor annuitant (and you are a Federal employee working in a position that allows you to have FEHB coverage), talk with your agency benefits counselor to determine whether you could participate in premium conversion.

If the annuity is insufficient to cover costs of the insurance premiums, payments of the premiums may be made directly to OPM.

Coverage as an Annuitant:

Annuitants are also entitled to the same benefits as employees, except that annuitants are generally not permitted to enroll or-re-enroll for coverage after retirement.

Health Benefits & Life Insurance

Continuing FEHB Coverage into Retirement:

Coverage as an Annuitant:

At age 65, annuitants who are Medicare-eligible may *suspend* health insurance (FEHB) coverage in order to enroll in a Medicare-approved Health Maintenance Organization (HMO), and may subsequently re-enroll in FEHB if they later decide to cancel the Medicare-approved HMO. If FEHB coverage is canceled, it cannot be reinstated. In 2001, Medicare premiums for Part B coverage are \$50.00 per month, per person. There is also a \$100.00 deductible.

Temporary Continuation of FEHB Coverage:

What are my options if I am not eligible to continue my health benefits into retirement?

Under CSRS and FERS, if an employee is not eligible to continue FEHB coverage into retirement, s/he can elect Temporary Continuation of Coverage (TCC) under the FEHB program. TCC is extended to:

1. Individuals whose FEHB enrollment terminates upon separation from Federal service; and,
2. Family members whose coverage terminates upon losing status as an eligible family member.

Notification:

When an employee separates from Federal service, the employing agency must notify the separated employee/retiree of the opportunity to enroll in TCC within 61 days after separation. The employee/retiree must enroll in TCC within 60 days of notification (or separation, if later).

When an employee/retiree enrolls in TCC, the enrollment becomes effective the day after the 31-day extension of FEHB coverage ends.

Health Benefits & Life Insurance

Temporary Continuation of FEHB

Coverage:

For separated employees, TCC terminates 18 months after the date of separation from service. A TCC enrollee will have a 31-day extension of TCC upon termination of coverage.

Family members may be eligible to continue TCC for up to 36 months.

Costs of TCC:

Upon separation from Federal service, if an annuitant is not eligible to continue FEHB into retirement and plans to enroll in TCC:

- The annuitant must pay his/her share of the premiums and the Government's share, plus
- A 2% administrative charge.

Conversion to a Non-group Policy:

If an individual loses FEHB coverage other than by cancellation, s/he has a 31-day temporary extension of coverage at no cost, then s/he can convert to a non-group plan. This also applies to family members who lose coverage other than by the employee's voluntary cancellation. Under a conversion contract, many plans generally provide few benefits, and premium rates are more expensive.

Health Benefits & Life Insurance

Long-Term

Care Insurance:

The Long-Term Care Security Act was signed into law on September 19, 2000. This program is the first new benefit program offered to Federal employees since FERS (and the TSP) were introduced in June 1986.

Long-Term Care Insurance, or LTC, will pay benefits to cover services that individuals may need because they are unable to care for themselves due to a chronic mental or physical condition. The program will offer a flexible benefits package covering a variety of services, such as:

- ☐ nursing home care;
- ☐ home health care;
- ☐ assisted living facilities; and,
- ☐ adult day care.

Federal employees, retirees, active members of the Uniformed Services and their qualified family members will be eligible to enroll in the program. When the program is in place, which is expected to be no later than October 2002, agencies will notify eligible participants and tell them the procedures for enrolling in LTC coverage.

The cost structure of the program has not been established yet. It is expected that costs will depend on:

- ☞ an individual's age at the time of enrollment; and,
- ☞ the type of benefits package and options an enrollee may select.

The Federal Government hopes to offer group rates that are about 15-20% lower than comparable individual policies.

Enrollees will have premiums withheld from their salary or their annuity. Enrollees who do not have a Federal salary or annuity will be able to pay direct premiums to the insurance carrier. Also, there will be no government contribution; Enrollees will have to pay 100% of the costs.

Health Benefits & Life Insurance

Federal Employees Group Life Insurance (FEGLI):

Background:



The Federal Employees' Group Life Insurance Program (FEGLI) was enacted in 1954. FEGLI provides group term life insurance coverage for Federal employees, retirees, and their family members. In general, FEGLI offers the following to its enrollees:

- No cash value, no loan privileges;
- No medical exam required;
- No waiting period to enroll.

In 1968, FEGLI introduced Standard (Option A) insurance, which is an additional \$10,000 of life insurance coverage. In 1981, FEGLI introduced Option B (Additional optional insurance), which allowed participants to elect multiples of their life insurance from 1-5 times their basic pay. In 1981, FEGLI also introduced Option C (Family coverage), which allowed Federal employees to elect life insurance coverage for their eligible family members (spouse-\$5,000; children-\$2,500 per child). In 1999, FEGLI expanded Option C coverage to allow participants to elect family coverage from 1-5 times the amount of the base (spouse-\$5,000; children-\$2,500).

In 1995, FEGLI introduced special provisions life insurance - assignments and living benefits. Assignments and living benefits will be addressed later in this module.

Health Benefits & Life Insurance

FEGLI Coverage:

Basic Coverage:

FEGLI basic life insurance coverage equals an employee's annual basic pay, rounded to the next thousand dollars, plus an additional \$2,000. As a result of P.L. 105-311, there is no maximum dollar amount for basic life insurance. Some additional features of FEGLI basic insurance include:

- Coverage is automatic, unless it is waived using the SF 2817 (Life Insurance Election Form);
- There is extra coverage if the employee is under age 45 at death;
- Employees have Additional Death & Dismemberment Insurance (this coverage is dropped at retirement)³;
- Basic premiums are deducted from employee's paychecks (biweekly) and from annuity checks (monthly).

Option A Standard:

Option A Coverage is a standard \$10,000 policy. Option A coverage is not automatic; it must be elected at entry into Federal service (or during a FEGLI open season). The election for Option A is made on the SF 2817, Life Insurance Election Form. Option A also has Accidental Death & Dismemberment Insurance, but this coverage is dropped at retirement.

Option B Additional:

Option B Coverage is available in multiples of one to five times the annual basic pay, rounded to the next thousand dollars. Option B coverage is not automatic; it must be elected at entry into Federal service, or within 60 days of an **event** that allows the employee to enroll in Option B coverage (marriage, birth of a child), or coverage can be elected during a FEGLI open season.

³FEGLI recently added conditions for payment of the AD&D benefit. If an employee is intoxicated and dies in an accident, FEGLI will not pay accidental death benefits. This includes AD&D benefits payable under Option A coverage.

Health Benefits & Life Insurance

FEGLI Coverage:

Option C

Family:

Option C insurance is available for family members. An employee can enroll in Option C and elect coverage for a spouse (\$5,000) or coverage for eligible children (\$2,500 per child). Coverage is not automatic; it must be elected at entry into Federal service, or within 60 days of an event (marriage, birth of a child), or during a FEGLI open season.

During the FEGLI open season⁴ which was held in 1999, employees were able to elect Option C coverage in multiples of one to five times the coverage amount. This means that the maximum coverage for a spouse is \$25,000; the maximum coverage for each eligible child is \$12,500.

Assignment of Life

Insurance:

Effective October 3, 1994, Public Law 103-336 amended the life insurance law to allow all employees and annuitants enrolled in FEGLI to assign, by viatical settlement, their life insurance to another person(s) or trust(s). Previously, the right to assign life insurance was limited to Federal judges. Assigning life insurance means that the employee or annuitant agrees to give up ownership of Basic Insurance, Option A and Option B. Option C coverage cannot be assigned.

⁴New FEGLI regulations have recently changed “open enrollment period” to “open season” to make the term more consistent with common usage. FEGLI open seasons will not become annual events; they will continue to be occasional events, as scheduled by OPM.

Health Benefits & Life Insurance

Assignment of Life

Insurance:

The decision to assign life insurance may be made for the following reasons:

- To comply with a court order;
- For inheritance tax purposes;
- To obtain cash before death;
- To satisfy a debt.

An assignment can never be changed or canceled by an employee or annuitant. If the life insurance is assigned, premiums must continue to be withheld from the salary or the annuity. An assignee does not have the right to cancel the assignment.

FEGLI Living Benefits Act:

The FEGLI Living Benefits Act (Public Law 103-409) effective July 25, 1995, provides that Basic FEGLI benefits can be paid before death if the employee or annuitant has a life expectancy of 9 months or less. The FEGLI Living Benefits Act applies only to basic life insurance.

Living benefits can be elected in full or partial payments (partial payments must be in multiples of \$1,000). If full Living Benefits are elected (the only option available to annuitants), then the premiums for basic life are discontinued. In addition, if full payment is elected, no benefits for basic life insurance will be payable at death.

If partial living benefits are elected, the basic insurance amount will be reduced to the remaining amount, and cannot change. Therefore, when an employee retires, s/he must elect no reduction on the SF 2818.

Note:

An election of living benefits has no impact on optional life insurance.

Refer to the chart on the following page.

Health Benefits & Life Insurance

FEGLI Benefits

	Viatical Settlement Agreement	FEGLI Living Benefit
Earliest Date Available	October 3, 1994 (for all enrollees)	July 25, 1995
Life Expectancy Requirement	24 months or less	9 months or less
Insurance Involved	100% of Basic, Option A and Option B (if held) (100% must be assigned, although not necessarily all to the same person/firm)	100% of Basic (employees and annuitants) Part of Basic (employees only – must be a multiple of \$1,000)
Percentage of Face Value Paid to Employee/Annuitant	60% to 85% The percentage varies, and is negotiated with the Viatical Settlement Firm (VSF)	94% (approximately)
Source of Payment	VSF to whom benefits are assigned (sold)	FEGLI Program
Residual Life Insurance Benefit	None, unless the VSF agrees to accept only a percentage of the assignment or to designate a portion to a survivor	Option A and Option B, if held. Remaining Basic for employees who elect partial living benefits
Payment of Premiums	Employee or annuitant continues to pay full premiums and cannot cancel the premiums. VSF may agree to reimburse the employee/annuitant directly for premiums paid.	Premium payments for Basic end for annuitant and employees who elect a full living benefit. For employees who elect partial living benefits, premiums are prorated depending on the amount of Basic remaining.

Health Benefits & Life Insurance

Continuing FEGLI into Retirement:

Basic:



Under CSRS and FERS, retiring employees may continue BASIC life insurance into retirement (not accidental and dismemberment) if they:

- ☐ Retire on an immediate annuity;
- ☐ Are insured on date of retirement;
- ☐ Have been covered for five years of service immediately preceding retirement, or since their first opportunity to enroll;
- ☐ Do not convert to an individual plan.

Note:

CSRS and FERS employees and annuitants can pay premiums directly to OPM to cover the cost of their life insurance if their annuities (or paychecks) are insufficient.

The amount of **BASIC** insurance payable upon death is determined by rounding up the employee's final salary to the next thousand and then adding \$2,000. For example, if the final salary is \$47,200, round to \$48,000 and add \$2000 for a total of \$50,000 of basic life insurance. [Note: Accidental Death and Dismemberment insurance stops at retirement.]

Optional Insurance:

Under CSRS and FERS, retiring employees can continue their optional insurance into retirement if:

- They are eligible to continue basic coverage;
- They are covered for the 5 years of service immediately preceding retirement or since their first opportunity to enroll;

Health Benefits & Life Insurance

Continuing FEGLI into Retirement:

Optional Insurance:

- For Option B coverage, the retiree can carry the lowest multiples elected during the last five years of employment.

Note: CSRS and FERS employees and annuitants can pay premiums for optional insurances directly to OPM to cover the cost of their life insurance if their annuities (or paychecks) are insufficient.

Post-Retirement Reductions:

“How will my life insurance reduce after I retire?”

At retirement, an employee may elect how s/he wants the basic life insurance coverage to reduce; depending on the election made, the basic coverage begins to reduce at age 65. To make the election for post-retirement basic life insurance coverage, the employee must complete the *SF-2818, Election of Post-Retirement Basic Life Insurance Coverage* at time of retirement. The employee has 3 options:

1. 75% Reduction
2. 50% Reduction
3. No Reduction

75%

Reduction:

When the employee retires, the basic life insurance coverage will remain in full force until age 65. When the retiree is age 65, the insurance coverage reduces by 2% per month down to 25% of amount in force at time of retirement. Retirees will continue to pay premiums until age 65. There will be no premiums after age 65⁵.

⁵If an employee retires prior to age 65, s/he will continue to pay premiums until age 65-then premiums will be free. If an employee retires after age 65, s/he will pay premiums until retirement.

Health Benefits & Life Insurance

Post Retirement Reductions:

75%

Reduction:

Premiums for the 75% reduction are the same as those paid by employees, currently \$.3358 for each \$1,000 of coverage, and will be deducted from the monthly annuity.

50%

Reduction:

If a retiring employee elects the 50% reduction, the basic coverage remains in full force until age 65. At age 65, the basic coverage reduces at 1% per month down to 50% of the amount in force at the time of retirement. Premiums are deducted from the annuity at \$.9258 per \$1,000 of coverage. The month following the annuitant's 65th birthday, the premium will be \$0.59 per \$1000 of basic coverage (the full amount of the insurance).

No reduction:

The retiring employee may also elect the no reduction option, which means that the basic life insurance will remain in full force and will not decrease. Premiums will be deducted from annuity to cover full cost of additional coverage. Currently, the premium will be \$2.3758 per \$1000 of coverage until the annuitant reaches age 65. The month following annuitant's 65th birthday, the premium will be \$2.04 per \$1000 of coverage for the rest of his/her life.

Costs for Optional Insurance:

In general, premiums for the optional insurances are due until the later of:

- Age 65; or,
- Date of retirement.

Retirees can elect to continue to pay premiums for Options B and C at age 65. If the retiree elects to pay premiums, then the coverage for the optional insurance will remain in full force. The retiree will have the option of canceling the coverage later and having the full reduction applied to the insurance.

Health Benefits & Life Insurance

Costs for Optional Insurance:

Option A Standard:

The cost before age 65 increases every 5 years.

There is no cost after age 65, if retired; however, the amount of the policy is reduced by 2% of the face amount until the insurance reaches 25% of the face value (\$2,500). The reduction begins the later of:

- 2nd month after reaching age 65; or
- 2nd month after retirement.

Option B:

Additional insurance is based on the employee's final salary rounded up to the next thousand times a factor between one and up to an elective of five times. There is no accidental death and dismemberment clause on this insurance.

Retiring employees and compensationers may elect to continue Option B coverage on an unreduced basis by continuing to pay premiums after age 65. Retirees and compensationers may later cancel that election and have the full reduction applied.

On the other hand, retiring employees and compensationers may elect to take a reduced benefit and continue to pay the premiums until age 65. After age 65, retirees stop paying premiums and the Option B life insurance is reduced by 2% per month for 50 months until it reaches no value (zero).

The reduction in Option B begins the later of:

- 2nd month after reaching age 65; or
- 2nd month after retirement, if age 65 or older

Health Benefits & Life Insurance

Costs for Optional Insurance:

Option C:

Family insurance provides coverage on your spouse and eligible children. It is payable upon the death of your spouse or eligible child. Employees can elect to provide coverage from one to five times the amount (\$5,000 for a spouse; \$2,500 for each eligible child.)

Retiring employees and compensationers may choose to elect unreduced Option C coverage by continuing to pay premiums after age 65. You may later cancel that election and have the full reduction taken.

On the other hand, retiring employees and compensationers may elect to take a reduced benefit and continue to pay the premiums until age 65. After age 65, you stop paying premiums and the Option C life insurance is reduced by 2% per month for 50 months until it reaches no value (zero).

The reduction in Option C begins the later of:

- 2nd month after reaching age 65; or
- 2nd month after retirement, if age 65 or older

Health Benefits & Life Insurance

Premium Rates:

Premium Rates for OPTIONAL Insurance (Free after 65 if retired*)			
	Option A-Std. (\$10,000 of coverage)	Option B-Addtl (per \$1000 of coverage)	Option C-Family (per multiple)
Age Group	Monthly	Monthly	Monthly
Under Age 35	\$0.65	\$0.065	\$0.59
Age 35 thru 39	0.87	0.087	0.74
Age 40 thru 44	1.30	0.13	1.00
Age 45 thru 49	1.95	0.217	1.30
Age 50 thru 54	3.03	0.325	1.95
Age 55 thru 59	5.85	0.672	3.14
Age 60 thru 64	13.00	1.517	5.63
Age 65+	Free	Free* (see note #1)	Free * (see note #2)

Note #1: For annuitants who elected *No Reduction for Option B*, coverage is NOT free for individuals who are age 65+. These annuitants must continue to pay \$1.517 monthly per \$1,000 of coverage.

Note #2: For annuitants who elected *No Reduction for Option C*, coverage is NOT free for individuals who are age 65+. These annuitants must continue to pay premiums according to the table below:

Age 65-69	\$6.50 per multiple
Age 70+	\$7.37 per multiple

Rates are subject to change in the future.

Health Benefits & Life Insurance

Payment of Life Insurance Under the Order of Precedence:

Prior to retirement, employees should verify whether they have any FEGLI Designations of Beneficiary (SF 2823) on file in their Personnel Folder. Employees do not have to complete an SF 2823 if they want their life insurance benefits to be paid according to the Order of Precedence, which is listed below.

Note: Court Orders supersede any prior designation made (for court orders received on or after July 22, 1998). Otherwise, the Order of Precedence is as follows:

- ☞ Designated Beneficiary (SF 2823) or Assignee (RI 76-10)
- ☞ Widow or Widower
- ☞ Children, divided equally
- ☞ Parents
- ☞ Executor or Administrator of the Estate
- ☞ Next of Kin

Method of Payment:

Effective January 4, 1994, FEGLI changed the manner in which it pays life insurance proceeds to beneficiaries:

- ☐ FEGLI beneficiaries receiving less than \$7500 will receive a single check for the entire amount.
- ☐ Beneficiaries receiving \$7500 or more will automatically receive a money market account checkbook. Their FEGLI proceeds will begin earning interest immediately upon establishment of the account. They may write checks for \$250 or more, up to the full amount in the account, as soon as they receive their checkbook.

Health Benefits & Life Insurance

***FEHB and FEGLI
Questions:***



<i>Questions/Comments:</i>	<i>Answers</i>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

Health Benefits & Life Insurance

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Module 7: Social Security and Medicare Benefits

Objectives:

-
- Define key components and key terms in the Social Security program.
 - Explain Social Security eligibility requirements.
 - Explain how Social Security benefits are computed.
 - Determine whether you will be affected by the Windfall Elimination Provision (WEP) and the Government Pension Offset.
 - Describe Medicare coverage eligibility requirements for Federal retirees.
-

Social Security & Medicare

Social Security Benefits for Federal Retirees:

“What monthly dollar amount can I expect to receive from Social Security?”

Introduction:

Social Security is a four-part national program designed to provide partial replacement of earnings which have reduced or ended due to retirement, disability, or death of the wage earner. Since it was never intended to be a full retirement plan, Social Security does not replace all of your lost earnings.

There are four key components to the Social Security system:

1. Retirement Insurance
2. Survivors Insurance
3. Disability Insurance
4. Health Insurance (Medicare)

Social Security FICA & Medicare Taxes:

Year	FICA Benefits	Medicare	Total
1985	5.70	1.35	7.05%
1986/1987	5.70	1.45	7.15%
1988/1989	6.06	1.45	7.51%
1990	6.20	1.45	7.65%
1991/2001	no change		

Maximum Earnings Under Social Security:

All employees who contribute to Social Security pay a percentage of their salary for OASDI taxes and a percentage for Medicare Part A. During a calendar year, if an individual earns more than the maximum amount of wages established by Social Security for that year, s/he is not required to pay OASDI taxes for the remainder of the calendar year. There is no maximum earnings limitation for Medicare Part A.

Social Security & Medicare

Maximum Earnings Under Social Security:

The reference table below provides the maximum earnings for Social Security (OASDI) taxes:

Wage Base	
1985 = \$39,600	
1986 = \$42,000	
1987 = \$43,000	
1988 = \$45,000	
1989 = \$48,000	
1990 = \$51,300	
1991 = \$53,000	(plus Medicare on income up to \$125,000)
1992 = \$55,500	(plus Medicare on income up to \$130,200)
1993 = \$57,600	(plus Medicare on income up to \$135,000)
1994 = \$60,600	(plus Medicare on income - no limit)
1995 = \$61,200	(plus Medicare on income - no limit)
1996 = \$62,700	(plus Medicare on income - no limit)
1997 = \$65,400	(plus Medicare on income - no limit)
1998 = \$68,400	(plus Medicare on income - no limit)
1999 = \$72,600	(plus Medicare on income - no limit)
2000 = \$76,200	(plus Medicare on income - no limit)
2001 = \$80,400	(plus Medicare on income - no limit)

Social Security & Medicare

Contribution

Amounts:

The table below shows the percentage amounts that employees contribute to their retirement fund and to Medicare Part A beginning in January 2001.

Retirement Coverage	Date	Retirement Contributions	Medicare Contributions	Total
CSRS	1/2001*	CSRS Fund (7.0%)	Medicare (1.45%)	8.45%
CSRS/SS (Offset)	1/2001*	CSRS Fund (.8%) OASDI (6.2%)	Medicare (1.45%)	8.45%
FERS	1/2001*	FERS Fund (.8%) OASDI (6.2%)	Medicare (1.45%)	8.45%
FICA	1/1/2000	OASDI (6.2%)	Medicare (1.45%)	7.65%

****Note:** P.L. 106-346 rolls back CSRS and FERS contribution rates for all employees to those rates that were in effect prior to January 1, 1999. The lower rates will become effective on the first day of the first pay period beginning on or after January 1, 2001.

Social Security

Estimate:

In order to calculate your Average Indexed Monthly Earnings (AIME) and your Primary Insurance Amount (PIA), you will need to obtain a statement of estimated earnings from the Social Security Administration (a copy of the free request form can be obtained from any Social Security office or from Social Security's web site at www.ssa.gov). Social Security will automatically send an estimate statement to you about 3 months before your birthday each year.

Your estimate from the Social Security Administration will tell you what you can expect to receive when you retire. It also will provide disability estimates you might be eligible for, and provide survivor benefit estimates payable to your family members upon your death.

Note: Your Social Security estimate does not take into account the Windfall Elimination Provision (WEP), which is explained later in this module. This will render the estimate incorrect for most employees affected by the WEP.

Social Security & Medicare

Calculating the Social

Security Benefit:

The key components for computing the Social Security benefit are:

- ☞ Indexing actual earnings to today's dollars;
- ☞ Averaging earnings subject to FICA taxes over your entire career.

Eligibility for Social Security Benefits:

To qualify for Social Security benefits based on your own earnings record, you must have performed a minimum amount of work under Social Security. Your work is measured in "quarters of coverage" or "credits." Credits are counted to determine the length of service that is subject to Social Security. A maximum of four credits can be earned during a calendar year.

Note:

Before 1978, a Quarter of Coverage was any calendar quarter after 1936, in which you were paid \$50 in wages for work covered by Social Security. After 1978, the Social Security Administration no longer measured earnings in calendar quarters. Instead, Social Security specified that a certain dollar amount must be earned during a calendar year to equate to one credit of coverage. The table on the next page illustrates these dollar amounts.

Social Security & Medicare

Eligibility for Social Security Benefits:

Year	Earnings	Year	Earnings
1978	\$250	1991	\$540
1979	\$260	1992	\$570
1980	\$290	1993	\$590
1981	\$310	1994	\$620
1982	\$340	1995	\$630
1983	\$370	1996	\$640
1984	\$390	1997	\$670
1985	\$410	1998	\$700
1986	\$440	1999	\$740
1987	\$460	2000	\$780
1988	\$470	2001	\$830
1989	\$500		
1990	\$520		

Fully Insured: Being “Fully insured” means that you have paid enough into the Social Security system to be eligible for full benefits. It does NOT, however, govern the amount you are eligible to receive. Individuals born in 1929 or later must have 40 credits or quarters of coverage (equivalent to about 10 complete years of work) to be fully insured. For those born before 1929, add 11 to the year of birth (e.g., Born in 1920: $20 + 11 = 31$ - 31 quarters of coverage are needed to be fully insured).

Social Security & Medicare

Eligibility for Social Security Benefits:

Currently Insured:

Being “currently insured” is a special situation which allows widows, widowers, and their children to be eligible to receive benefits if the worker should die before becoming fully insured. The worker must have earned at least 6 quarters of coverage (or the equivalent of 1-1/2 years of employment paying into the Social Security system) during the last 13 quarters to be “currently insured” at the time of death.

Full Retirement Age Requirements:

Beginning with persons born in 1938 and later, the full retirement age (FRA), or normal retirement age, gradually increases from age 65, and will eventually reach age 67 for persons born after 1959. The following chart provides the Social Security full retirement age requirements:

<i>Year of Birth</i>	<i>Full Retirement Age</i>
Before 1938	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and After	67

Social Security & Medicare

Calculating Your Benefit:

Social Security benefits are based on your earnings averaged over most of your lifetime. The Social Security Administration will compute your benefits as follows:

Step 1: Average Indexed Monthly Earnings:

First, Social Security will compute your “Average Indexed Monthly Earnings” (AIME)—which is your average earnings subject to Social Security taxes during all of your employment throughout your career.

The AIME Equals:

1. Your earnings are listed starting with the year 1951 (or the year you began working, if later).
2. Social Security computers will adjust earnings from each year to take into account inflation in average wages since the year you received them. This process will index your earnings to make them comparable to what they would be worth in today’s dollars. Earnings are indexed through the year before you file for benefits.
3. From the list of adjusted earnings, the highest years of earnings are selected to compute your AIME. For most people, 35 years of earnings are used. If you haven’t worked 35 years, “zero” earnings years are added to your record.
4. Your earnings are totaled for this 35-year period and divided by 420 (the number of months in 35 years) to obtain the average monthly earnings, or your AIME.

Social Security & Medicare

Calculating Your Benefit:

Step 2: Primary Insurance Amount (PIA):

Next, your “Primary Insurance Amount (PIA)” is calculated.

The AIME is applied to a three-level formula to arrive at a monthly benefit rate. This rate is called the Primary Insurance Amount (PIA). The PIA formula for 2001 equals:

$$\begin{array}{rcl} & 90\% \text{ of the first } \$561 \text{ of the AIME} & \\ + & 32\% \text{ of the AIME between } \$561 \text{ and } \$3,381 & \\ + & 15\% \text{ of the AIME in excess of } \$3,381 & \end{array}$$

The results, are added together and rounded down to the nearest dollar. This is your monthly Social Security benefit rate based on your full retirement age.

Note:

The dollar amounts used in the formula are based on the trend in national average wages and change every year. The percentages in the formula remain the same. Social Security uses the bend point formula values in effect the year an individual turns age 62.

If the individual applies for benefits later than age 62, the benefit is calculated using the formula for age 62 and it is increased by the amount of the actual cost of living adjustments authorized since that time.

Cost of Living Increases:

You will be eligible for cost-of-living increases starting the year you begin receiving benefits. The cost of living increase for 2001 is 3.5%.

Social Security & Medicare

Reduced Benefits:

You might not want to wait until your full retirement age to begin receiving Social Security benefits. You are eligible for retirement benefits as early as the first full month that you are age 62, as long as you are fully insured.

If you retire before your full retirement age, you will receive a reduced monthly benefit amount. Your benefit will be reduced by 5/9 of 1% for each of the first 36 months that you retired prior to your full retirement age, plus 5/12ths of 1% for each month in excess of 36. This is a permanent reduction. Your monthly amount does not increase when you reach your full retirement age.

Note:

You cannot get benefits for the month in which you reach age 62 unless your birthday is on the 1st or 2nd of the month.

Effect of Your Reduced Benefits on a Spouse's Benefit:

Receiving a reduced benefit from Social Security impacts spouses and the benefits that they may receive. Non-federal spouses can qualify for and receive a Social Security benefit based on their own earnings. Spouses may also qualify for a family benefit based on your Social Security earnings, which equals up to one-half of your earned SSA benefit. A spouse who qualifies for both benefits (their own benefit and a family benefit) would receive whichever benefit amount is higher, as long as you both are age 62 and not earning over the Earnings Test amount. Federal spouses may be subject to the Government Pension Offset Provisions. [See Government Pension Offset explanation later in this Module.]

Social Security & Medicare

Reduced Benefits:

Delaying Receipt of Benefits:

If you wait to receive your Social Security benefit beyond your normal retirement age, you will receive a bonus for doing so. You earn “Delayed Retirement Credits (DRCs)” up to age 70. Your actual benefit will then be increased by a percentage factor. Contact your local Social Security office for assistance on how delayed retirement credits will increase your monthly Social Security amount.

Retirement Earnings Test:

If you choose to work after you begin collecting Social Security benefits, you may receive a reduced benefit if your earnings exceed a specified dollar amount.

Social Security benefits are paid to replace some of the earnings lost due to retirement, disability, or death. An earnings test applies to everyone who receives Social Security retirement or survivors benefits. An earnings test does not apply to persons age 65¹ or older, and persons who receive a Social Security benefit because they are disabled. Disabled persons should report all work.

How the Retirement Earnings Test Works:

If you work while you are receiving a Social Security benefit, you must contact Social Security promptly if you expect to earn over the annual exempt amount. You should give an estimate of your earnings for the calendar year (or fiscal year if you use one). If you later find you will earn more or less than you estimated, you should contact Social Security again to change your estimate.

¹As of January 2000, the Retirement Earnings Test has been eliminated for individuals who are age 65-69. It remains in effect for individuals who are age 62-64. A modified test applies for the year an individual reaches age 65.

Social Security & Medicare

Retirement Earnings Test:

How the Retirement Earnings Test Works:

Annual exempt amounts for **2001** are:

☞ Under age 65: \$10,680 per year

In 2001, if an individual works and earns over the annual earnings limit, \$1 in benefits will be withheld for every \$2 in earnings above the annual limit.

☞ Year of turning age 65: \$25,000 per year

The earnings limit only applies to wages earned for the months prior to reaching age 65. In 2001, for individuals who earn over the annual earnings limit, \$1 in benefits will be withheld for every \$3 in earnings above the limit. There is no limit on earnings beginning the month in which an individual turns age 65.

You must file an annual report of earnings by April 15th of the year following any year you earned above the annual exempt amount. You may have to repay benefits if you have underestimated your earnings. A penalty may be assessed if you do not file the report timely. This report is filed in addition to your Federal income tax return.

If your earnings are more than the annual exempt amount in the year you become age 65, you must file an annual report for that year. Excess earnings you have in or after the month you reach age 65 will not affect your monthly benefit amount.

Social Security & Medicare

Retirement Earnings Test:

The Year Your Benefits Begin:

A special rule allows people who retire during a particular year to receive benefits for the rest of that year no matter what they earned before retiring. You can be paid for any month your wages do not exceed the **monthly exempt amount**, and you do not perform **substantial services** in self-employment.

Monthly exempt amounts for **2001** are:

☞ Under age 65 - \$890.00 per month

If you work as an employee, the controlling factor is when you earn the money, not when the wages are paid. If you are self-employed, the main consideration is whether you are active in the business. More than 45 hours per month are generally considered **substantial services**. Work performed less than 15 hours a month is not considered substantial. Work you perform as a self-employed person between 15 hours and 45 hours must be considered substantial if you are involved in management or a highly skilled occupation.

Remember:

- ✓ Total family benefits may be affected by the workers's earnings.
- ✓ Earnings of other family members will affect only their own benefit.
- ✓ Count total yearly earnings, including all wages and self-employment income.
- ✓ Count gross wages and not just take-home pay.
- ✓ Wages count, even if they are not covered by Social Security.

Social Security & Medicare

Retirement Earnings Test:

Wages: Wages may include bonuses, commissions, fees, vacation pay or pay in lieu of vacation, cash tips of \$20 or more a month, severance pay, and certain non-cash compensation, such as meals or living quarters.

The following types of earnings do not count as income:

- ☐ Investment income,
- ☐ Interest,
- ☐ Social Security or Veterans Administration benefits,
- ☐ Annuities, and Company or Government Pensions,
- ☐ Capital gains,
- ☐ Gifts or inheritances,
- ☐ Rental income (unless you are a real estate dealer or you both rent a farm to someone and materially participate in the production or the management of production of farm commodities),
- ☐ Royalties,
- ☐ Income from trust funds,
- ☐ Sick pay after the 6th full month you last worked or were paid after your employment terminated,
- ☐ Moving expenses,
- ☐ Travel expenses,
- ☐ Pay from jury duty.

Other rules may apply to wages and self-employment income.

For more information, visit or write any Social Security office, or phone the toll-free number at 1-800-772-1213. You can speak to a teleservice representative weekdays during normal business hours, 7:00 a.m. - 7:00 p.m. You can also visit their web site at www.ssa.gov.

Social Security & Medicare

Note: Because most calls from current beneficiaries occur the first week of the month and on Mondays of other weeks, your call will be handled more promptly if you call at other times during the month. If your business is urgent, however, call right away. Early in the morning and late in the afternoon are also the best times to call. The Social Security Administration treats each call confidentially.

Windfall Elimination

Provision (WEP):

The Windfall Elimination Provision (WEP) refers to a special provision which stipulates that if you work for an employer who doesn't withhold Social Security taxes, the pension you get based on that work may reduce your Social Security benefits or disability benefits. What this means is that the formula used to compute your benefit amount is modified, giving you a lower Social Security benefit.

Who Is Affected?:

This provision primarily affects people who earned a pension from work not covered by Social Security, yet they qualified for a Social Security benefit based on work they performed where they paid Social Security taxes.

This provision does not affect new hires under FERS, or a person mandatorily covered under Social Security. It does, however, apply to CSRS employees who transfer to FERS if they are entitled to a CSRS component in their annuity.

If a person has 30 or more years of *substantial earnings subject to Social Security*, s/he will not be affected by the Windfall Elimination Provision.

Social Security & Medicare

Windfall Elimination Provision (WEP):

Note: The modified formula does not apply to survivor benefits. It also does not apply if:

- ☞ you are a federal worker hired after December 31, 1983;
- ☞ you were employed on December 31, 1983, by a non-profit organization that was exempt from Social Security and it became mandatorily covered under Social Security on that date;
- ☞ your only work where you didn't pay Social Security taxes was before 1957; or
- ☞ you have 30 or more years of substantial earnings under Social Security.

The WEP is a modified formula. The WEP changes the first multiplier in the formula from 90% to 40%², depending on an individual's years of substantial earnings under Social Security. Generally, FERS employees are exempt from the WEP formula, unless they have a CSRS component.

The regular formula for computing a Social Security benefit in **2001** is:

$$\begin{array}{rcl} & 90\% & \times \text{ first \$561 of the AIME, plus} \\ + & 32\% & \times \text{ the AIME between \$561 and \$3,381} \\ + & 15\% & \times \text{ AIME over \$3,381} \\ \hline = & & \text{The Primary Insurance Amount} \end{array}$$

²If an individual had 21-29 years of substantial earnings under Social Security, the 40% factor would increase 5% per year up to the 90% level (i.e., 21 years = 45%).

Social Security & Medicare

Windfall Elimination

Provision (WEP): The modified formula (WEP) for computing a Social Security benefit in **2001** is:

$$\begin{aligned} & 40\% \times \text{first \$561 of the AIME, plus} \\ + & 32\% \times \text{the AIME between \$561 and \$3,381} \\ + & 15\% \times \text{the AIME over \$3,381} \\ = & \text{The Primary Insurance Amount} \end{aligned}$$

Example #1:

FERS Retiree With More Than 30 Years of Substantial Earnings Under Social Security

Average indexed monthly earnings (AIME) =
\$1,200.00

$$\begin{aligned} 90\% \times \$561 &= 504.90 \\ 32\% \times \$639 &= \underline{+204.48} \end{aligned}$$

Primary Insurance Amount = \$709.38

This individual will receive **\$709.30 per month** (Age 65). SSA rounds the monthly amount to the next lower multiple of \$.10 if it is not already a multiple of \$.10.

Example #2:

CSRS Retiree (or FERS retiree with a CSRS component) With Less Than 20 Years Social Security Coverage

Average indexed monthly earnings (AIME) =
\$1,200.00

$$\begin{aligned} 40\% \times \$561 &= \$224.40 \\ 32\% \times \$639 &= \underline{+ \$204.48} \end{aligned}$$

Primary Insurance Amount = \$ 428.88

This individual will receive **\$428.80 per month** (Age 65) WEP PIA

Social Security & Medicare

Windfall Elimination

Provision (WEP):

*If an individual who receives a Civil Service Annuity (or FERS annuity with a CSRS Component) has **30 years of substantial** Social Security earnings, the Windfall Elimination provision will not apply.*

*If an individual who receives a CSRS Annuity (or FERS annuity with a CSRS component) does not have 30 years of **substantial** earnings under Social Security, but has from 21 to 29 years, the appropriate percentage in the table below will be substituted for the 90% factor in the regular formula.*

Years of Substantial Earnings Under Social Security	Factor:
30 or more	90%
29	85%
28	80%
27	75%
26	70%
25	65%
24	60%
23	55%
22	50%
21	45%
20 or less	40%

In this case, the 90% factor in the first bend point of the Social Security formula will be gradually reduced to 40% for a person who has 20 years or less of substantial earnings under Social Security.

For example, assume a person becomes eligible and retires on a Civil Service annuity in 2000. Also, assume this individual has 28 years of Social Security coverage (substantial earnings) and reaches age 62 in 2000. The 80% factor will be used in the first tier of the Social Security formula in lieu of the 90% Factor.

Social Security & Medicare

How to Determine Years of Substantial Earnings Under Social Security:

Credit will be given for substantial earnings during a year in which earnings equal or exceed the figures shown for each year in the table below:

Year	Wages Needed for Year of Coverage	Year	Wages Needed for Year of Coverage
1937-50	\$900*	1984	\$7,050
1955-58	1,050	1985	7,425
1959-65	1,200	1986	7,875
1966-67	1,650	1987	8,175
1968-71	1,950	1988	8,400
1972	2,250	1989	8,925
1973	2,700	1990	9,525
1974	3,300	1991	9,900
1975	3,525	1992	10,350
1976	3,825	1993	10,725
1977	4,125	1994	11,250
1978	4,425	1995	11,325
1979	4,725	1996	11,625
1980	5,100	1997	12,150
1981	5,550	1998	12,675
1982	6,075	1999	13,425
1983	6,675	2000	14,175
		2001	14,925
* Total credited earnings from 1937-50 are divided by \$900 to get the number of years of coverage (maximum of 14 years).			

There is a guarantee which provides that the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956, not covered by Social Security.

Social Security & Medicare

Government

Pension Offset:

The Government Pension Offset (GPO) is a law that affects a spouse's or widow(er)'s Social Security benefits that s/he is entitled to as a family member (family benefits).

Some or all of your Social Security benefits you are eligible for based on your spouse's or widow(er)'s earned benefit may be **offset** if you receive a pension from a job where you did not pay Social Security taxes (i.e., a CSRS annuity). This offset will reduce the amount of your family (spousal) benefits by two-thirds of the amount of your government pension.

The GPO is applied when a Federal employee has an **earned** Civil Service Annuity (not survivor annuity), based on Federal employment not covered by Social Security, *and* the Federal employee is also eligible for a family Social Security benefit as the spouse of a Social Security worker.

The Government Pension Offset does not apply to the Social Security Benefit which the Civil Service Annuitant has earned on his/her own work record.

This is a Social Security law, not a Civil Service law. Your Civil Service Annuity is not affected. Your spousal benefits under the Social Security law may be reduced or eliminated as a result of you receiving a CSRS government pension.

Some civil service employees may be exempt from the GPO, including:

- Any state, local, or military service employee whose government pension is based on a job where s/he was paying Social Security taxes on the last day of employment.
- Anyone whose government pension is not based on his/her own earnings.

Social Security & Medicare

Government

Pension Offset:

- Anyone who received or who was eligible to receive a government pension before December 1982, AND who meets all of the requirements for Social Security family benefits in effect in January 1977. Essentially, this provision applies to a divorced woman whose marriage must have lasted 20 years and to a husband or widower who must have received one-half of his support from his wife.
- Anyone who received or was eligible to receive a Federal, state, or local government pension before July 1983, and was receiving one-half support from his/her spouse.
- Federal employees who are mandatorily covered under Social Security.
- For Federal employees who transferred from CSRS to FERS on or before 12/31/87, or before 7/1/88 (belated FERS open season), the GPO will not apply. Those who transfer later need to work at least 5 years under FERS to be exempt from the GPO.
- An employee who is automatically covered under FERS is not subject to the offset, since s/he will be covered by Social Security at the time of retirement.
- If the Federal retiree was eligible to receive a Government pension before 12/1/82 for women, or 01/01/77 for men, *and* meets all of the requirements for Social Security spousal benefits in effect in January 1977.
- If the Federal retiree or military retiree was retired before 1/1/86, the GPO does not apply.

If the Federal retiree is not exempt from the GPO, two thirds of the Government pension will be subtracted (offset) from the his/her family benefit under Social Security based on his/her spouse's earned benefit. The remainder, if any, will be payable as a Social Security family (spousal) benefit.

Refer to the example on the following page.

Social Security & Medicare

Government Pension Offset:

EXAMPLE #1: JANE, Federal Employee

Monthly CSRS Pension: = \$900

Jane's Spouse's Social Security
Benefit based on his earnings
record: = \$860

Jane's Family Social Security
Benefit based on her husband's
earnings: = \$430

GPO = 2/3 OF Jane's CSRS
PENSION (\$900) = \$600

\$430 - \$600 = **\$0**

The GPO eliminates Jane's Family Benefit from SOCIAL SECURITY. She will receive her \$900 monthly CSRS annuity.

EXAMPLE #2: JOE, Federal Employee

Monthly CSRS Pension: = \$600

Joe's Spouse's Social
Security Benefit based on
his earnings record: = \$860

Joe's Family Social
Security Benefit based on
his wife's earnings: = \$430

GPO = 2/3 OF CSRS
PENSION (\$600) = \$400

\$430 - \$400 = **\$30**

Joe will receive a Family Benefit of \$30 per month from SOCIAL SECURITY in addition to his \$600 CSRS pension.

Social Security & Medicare

Calculating

Family Benefits:

The following chart illustrates the amount of benefits that eligible family members may receive (based on the earned benefit of the Social Security “worker”):

Spouse (Full Retirement Age):	50%
Spouse (Age 62):	31.5% - 37.5% (% depends on spouse's FRA)
Spouse (Any age) Caring for Eligible Child Under Age 16:	50%
Eligible Child * unmarried * under age 18, or * under age 19, if still in high school * any age if disabled before age 22	50%

Former Spouse Benefits:

Former spouses may also be entitled to Social Security family benefits if they meet the eligibility requirements. For a former spouse to qualify, the worker must have enough credits to qualify for benefits and be age 62 or older. To be entitled to Social Security family benefits, a divorced spouse must be age 62 or older; and,:

- have been married to the worker for at least 10 years;
- not have remarried prior to age 60.

The divorced spouse can receive benefits regardless of whether or not the worker has filed for benefits, if the divorce has been in effect for 2 years.

Social Security & Medicare

Calculating Family Benefits:

Former Spouse Benefits:

Benefits payable to a divorced spouse do not affect the worker's entitlement to benefits or the amount of benefits s/he is entitled to.

- ☞ Benefits will be the same as if s/he were a current spouse;
- ☞ The former spouse receives full benefits at his/her full retirement age;
- ☞ The former spouse receives reduced benefits at age 62.

Maximum Family Benefit (MFB):

The maximum benefit payable to a worker, spouse, and an eligible child/children are subject to the "Maximum Family Benefit (MFB) Formula" which is based on the worker's PIA.

The maximum benefit generally varies from 150%-185% of the PIA. For disabled workers, the maximum is the smaller of:

1. 85% of the worker's AIME (or 100% of the PIA if higher); or,
2. 150% of the PIA

Note: The maximum family benefit is higher for retirement and survivor cases than for disability cases. Each family member's benefit will be reduced proportionately to bring the total within the limit of the maximum benefit that is payable. The primary worker's benefit is not reduced.







A divorced spouse's benefits are not included in figuring the MFB, unless s/he qualifies because of caring for an eligible child.

Social Security & Medicare

Survivor Benefits:

Upon the death of the Social Security worker, a lump sum benefit of \$255 is payable to a spouse who was living with the deceased at the time of death, or to a dependent child entitled to receive Social Security.

Refer to the table below to determine the amount of survivor benefits payable to eligible family members:

Category	% of PIA*
 Surviving Spouse/ Former Spouse * age 60 - up to FRA * Full retirement age	About 71 % - 94 % 100 %
 Disabled Surviving Spouse * age 50-59	71.5 %
 Surviving Spouse/Ex- Spouse w/children under 16 in his/her care	75 %
 Eligible Child	75 %
 Dependent Parent	82.5 %
 Two Dependent Parents	75 % (each)

Social Security & Medicare

Social Security Disability Benefits:

Eligibility: To qualify for Social Security disability benefits, the worker must:

- * be severely physically or mentally impaired so that the impairment prevents any substantial gainful activity. The disability must be expected to last at least 12 months or result in death.
- * have a certain number of quarters (or credits) of coverage at the time the worker becomes disabled.

In addition, the worker must have earned a specific number of quarters (or credits) of coverage within recent years. If you become disabled before you are 24 years old, you need credit for 1-1/2 years of work in the 3 years prior to becoming disabled.

Between ages 24-31, you need credit for half the time elapsing before your 21st birthday and the time you became disabled.

If you become disabled at age 31 or older, in addition to needing the quarters of coverage based on the above rule, you need credit for at least 5 years of work out of the 10- year period before the start of the disability.

Medicare:

P. L. 97-248 extended Medicare hospital benefits to government workers retiring in 1983, or later. All Federal employees will be eligible for Medicare coverage at **AGE 65** as long as they were actively working after 1/1/83, when Medicare coverage became mandatory for Federal employees, or as long as they have 40 Social Security Medicare quarters. The 1.45% tax deducted from an employee's earnings is discontinued upon retirement.

Social Security & Medicare

Medicare: Medicare has two parts:

Part A: Hospital Insurance (HI). This coverage provides HOSPITAL care (Retirees do not pay premiums).

The deductible for 2001 is \$792.00 per event.

Part B: Medical Insurance (MI). This coverage helps to pay for MEDICAL (outpatient) care and certain medical services not covered by hospital insurance.

The monthly insurance premium for 2001 is \$50.00

The deductible is \$100.00 per year.

Note: Effective 1/1/94, and thereafter, the Hospital Insurance portion of the tax, (the 1.45%) is calculated based on unlimited earnings.

Medicare Enrollment:

If you have retired and you plan to receive Medicare Part B coverage, you should enroll during the initial enrollment period. This is a 7-month window for enrollment around an individual's 65th birthday (3 months before and 3 months after the month in which an individual turns age 65). If you do not enroll during this 7-month period, you will have to wait to enroll during the next general enrollment period.

General enrollments are held from January 1 through March 31 of each year, and Part B coverage will begin the following July.

Note: If you have retired and you wait to enroll in Part B beyond your 7-month enrollment window, your Part B premiums will be higher. If you wait 12 months or more to enroll, your premiums for Part B will increase by 10% for each 12 months that you could have enrolled, but did not.

Social Security & Medicare

Medicare:

If you retire after age 65, you will still have an 8-month window to enroll in Part B once your employment ends.

In 1999, Medicare introduced new programs to offer individuals more choices in coverage. The types of Medicare options³ available include:

1. Traditional Medicare
2. Medicare HMO's
3. Medicare PPO's
4. Medicare Provider-Sponsored Organizations
5. Medicare Medical Savings Accounts

To find out more about these programs, you can request a copy of Medicare & You from the Social Security Administration or the Health Care Financing Administration (HCFA), or you can visit their web site at www.hcfa.gov.

Social Security

Tips:

Review your wage record every 3 years.

File for benefits 3 months before your retirement date, if over age 62 at retirement (or the date you want your benefits to begin). You can file by telephone, appointment, by visiting your local Social Security office, or by filing an application on Social Security's web site at www.ssa.gov.

Social Security can provide you with an estimate of what your benefit would be if you are age 60 or older. They will also furnish a benefit estimate if you have already met your 40 quarters of coverage.

When you file, remember to include:

- **Social Security number**
- **Proof of age**
- **Marriage certificate(if applicable)**
- **W-2 forms for the last 2 years**

³Individuals need to determine whether the different Medicare options are offered in their geographic area.

Social Security & Medicare

Social Security

Tips:

Appeal Rights:

If you are denied benefits by the Social Security Administration, you have the right to appeal the decision by filing the following progressive appeals.

- Reconsideration
- Administrative law judge
- Appeal counsel
- Federal district court

For More

Information:

To receive more information on Social Security and Medicare benefits, you can contact Social Security at 1-800-772-1213. Or you can visit their local office or their web site at www.ssa.gov.

Social Security & Medicare

Social Security Questions:

Questions/Comments	Answers
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	

Module 8: Income Tax Considerations

Objectives:



- Explain how basic tax rules apply to CSRS and FERS benefits received by retired federal employees or their survivors;
 - Explain how TSP payments are taxed;
 - Describe how Social Security benefits are taxed;
 - Identify sources of information to assist you with tax questions.
-

Taxes

Tax Computation On Retirement Benefits:

“How much will my monthly annuity check be reduced as a result of Federal income taxes?”

IRS Publication 721:

The information in this module was excerpted from *IRS Publication 721, “Tax Guide to U.S. Civil Service Retirement Benefits.”* The Graduate School, USDA, does not provide official advice on income tax liability. Thus, before preparing your income tax return, we suggest that you review Publication 721 and/or consult a tax accountant.

You can receive a copy of *IRS Publication 721* by calling 1-800-TAXFORM.

Additionally, you can download the publication from the IRS web site at www.irs.ustreas.gov.

Simplified General Rule:

IRS Publication 721, “Tax Guide to U.S. Civil Service Retirement Benefits,” explains how the Federal income tax rules apply to the benefits that retired Federal employees and survivors receive under the Civil Service Retirement Act.

Refer to the example of the Simplified General Rule on the following page.

Taxes

Simplified General Rule:

Simplified Method Worksheet Example:		
1.	Enter total annuity received this year:	\$12,000
2.	Enter total cost in the plan at the annuity starting date:	\$24,700
3.	Enter the appropriate number from Table 1 (assume retiree is age 55):	360
4.	Divide line 2 by line 3 and round to 2 decimal places:	\$ 68.61
5.	Multiply line 4 by the number of months for which this year's payments were made:	\$823.32
6.	Enter any amounts previously recovered tax free for prior years:	\$ 0
7.	Subtract line 6 from line 2:	\$24,700
8.	Enter smaller of line 5 or line 7:	\$ 823.32
9.	Taxable annuity for the year. Subtract line 8 from line 1: Enter the result on the appropriate tax form (1040 or 1040A)	\$11,176.68
10.	Add lines 6 and 8:	\$823.32
11.	Balance of cost to be recovered. Subtract line 10 from line 2:	\$23,876.68

Source: IRS Publication 721

Note: **Tables 1 and 2 are on the next page.**

Taxes

Tables:

Table 1 for Line 3 on the Simplified Method Worksheet:

Age at Start:	Enter:
If the age at annuity starting date was...	For annuities which begin after 11/18/96, enter on Line 3...
55 and under	360
56 - 60	310
61 - 65	260
66 - 70	210
71 and over	160

**Table 2 for Line 3 of the Simplified Method Worksheet
(If you have elected a survivor annuity for a spouse)**

If the combined ages at starting date were...	Then enter on line 3...
110 and under	410
111-120	360
121-130	310
131-140	260
141 or older	210

Taxes

Simplified General Rule:

Couple's Benefits Example:		
1.	Total annuity received this year:	\$15,000
2.	Enter your cost in the plan at the annuity starting date:	\$36,000
3.	Enter the appropriate number from Table 2 (payments are for your life and that of your beneficiary) Assume you and your spouse's combined ages are 110:	410
4.	Divide the amount on line 2 by the number on line 3 and round to 2 decimal places:	\$ 87.80
5.	Multiply line 4 by the number of months for which this year's payments were made:	\$ 1,053.60
6.	Enter any amounts tax free for prior year:	\$ 0
7.	Subtract from line 6 from line 2:	\$36,000
8.	Enter smaller of line 5 or line 7:	\$ 1,053.60
9.	Taxable annuity for the year. Subtract line 8 from line 1 (Enter this amount to the total for the appropriate tax form):	\$13,946.40
10.	Add lines 6 and 8:	\$ 1,053.60
11.	Balance of cost to be recovered. Subtract line 10 from line 2:	\$34,976.40

Source: IRS Publication 721

Taxes

Simplified General Rule:

Notes: These examples assume a full year of receiving retirement benefits. If you retire during the year, you would use only the number of months during which you were an annuitant in making the computation in line 5 for the first year of retirement. Thereafter, 12 times the monthly rate obtained in step four will be subtracted from the total annuity shown on your CSA-1099R each year, and the balance will be taxable.

Reminder: You may have potentially taxable income from other sources of income and adjustments to your gross income. You should review your overall tax plan carefully to identify and resolve tax payment issues. Plan ahead, and use financial and tax resources available to you. Do not hesitate to consult an expert.

Determining the Number of Payments:

To determine your number of payments, use your age at the birthday preceding your annuity starting date.

If the individual in the previous example died before receiving the proper number of monthly checks, and left a spouse or someone else entitled to a survivor annuity, the survivor will be able to use the same monthly amount when reporting taxable survivor annuity for tax purposes, until the total contributions have been recovered.

On the other hand, if the survivor lives beyond the time frame in which you receive the proper number of checks or when the total retirement contributions are recovered, the full annuity will be taxable. If death occurs before the total number of months is up, and no one is entitled to a survivor annuity, the unrecovered portion can be an itemized deduction in the year of the annuitant's death, if complete records of amounts recovered and balance to be recovered have been kept. Neither OPM nor the IRS will compute this for your heirs.

Taxes

Simplified General Rule:

Federal Income

Tax Withholding:

When you retire, OPM will forward a W-4P-A*, Election of Federal Income Tax Withholding Form, to you, along with instructions for completing the form. The form enables you to elect NOT to have tax withheld **OR** to have tax withheld based on the number of exemptions which you indicate. During January of each year, OPM will mail a Form CSA-1099R, Statement of Annuity Paid, to be used when filing Federal Income Tax returns. This form, basically, is your W-2 form.

State Income

Tax Withholding:

Generally, your annuity will also be subject to state income taxes, depending upon your state of residence.

Some states have made arrangements with OPM to withhold state income taxes from annuities paid to their residents.

To find out whether your state participates in the state tax withholding program, you should contact your state's Office of Taxation. If your state participates in the program, you must contact OPM to make arrangements to have state taxes withheld from your annuity. You must request OPM to withhold a specific dollar amount for state tax purposes. You can only contact OPM regarding state tax withholdings once you have received your CSA number.

If your state does not participate in the state tax withholding program, the Office of Taxation may be able to tell you if it plans to participate in the program with OPM at a future date.

Taxes

Taxation on TSP Annuity Payments:

The money in your TSP account was contributed on a tax-deferred basis, and all earnings in your account were tax-deferred as well. Therefore, your TSP annuity payments will be taxed as ordinary income in the years that you receive them.

TSP withdrawals won't be subject to the IRS early withdrawal penalty in the following situations:

- ◆ You receive your account balance in monthly payments based on life expectancy;
- ◆ You retire on disability;
- ◆ You separate from service during or after the calendar year in which you reach age 55.

When you separate from service, be sure to obtain from your agency the following booklets & pamphlets:

- ☐ *"Important Tax Information About Payments From Your Thrift Savings Plan Account"*
- ☐ the pamphlet, *"Withdrawing Your TSP Account,"* (April, 1998) and
- ☐ IRS Publication 721

You can also obtain the TSP information from their web site at www.tsp.gov.

Note:

Do not complete the TSP-70 until you have decided how you wish to withdraw your TSP account balance. You can delay withdrawing your money up to age 70-1/2.

Taxes

Taxation of Social Security Benefits:

Some retirees who also receive Social Security benefits may have to pay taxes on their benefits. If you have substantial income in addition to your Social Security benefits, your benefits may be affected as follows:

If you file as a single taxpayer, and:

- ☐ Your combined income (yours and your spouse's adjusted gross income) is between \$25,000 - \$34,000, you may have to pay taxes on 50% of your Social Security benefit.
- ☐ If your combined income is above \$34,000, up to 85% of your Social Security benefits may be taxable.

If you file a joint tax return:

- ☐ You may have to pay taxes on 50% of your benefits if you and your spouse have a combined income that is between \$32,000 - \$44,000. If your combined income is more than \$44,000, up to 85% of your Social Security benefits is taxable.

For more information about how your Social Security benefits may be taxed, refer to Publication 554, *"Tax Information for Older Americans."* This publication can be obtained by calling the IRS, or visiting their web site at www.irs.ustreas.gov.

Social Security Benefits Statement:

When you begin receiving Social Security benefits, each year at the end of January, you will get a form, "SOCIAL SECURITY BENEFITS STATEMENT" (Form SSA 1099) in the mail. The SSA 1099 will show the amount of SSA benefits you received during the previous year.

Taxes

Taxation of Social Security Benefits:

Social Security

Benefits Statement:

Read the explanation on the form carefully. If you have any questions, you can call Social Security at the toll free telephone number shown on the form.

The information on the form will go to the Internal Revenue Service (IRS). The IRS provides instructions on how to calculate taxes. Visit or call an IRS office at 1-800-TAX-FORM, or visit their web site, to assist you with tax questions and other tax information.

You can call 1-800-829-3676 (TAX-FORM) to order tax forms.

Taxes

Tax Questions:

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Module 9: Thrift Savings Plan Participation and Withdrawal Options

Objectives:



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1. Define Thrift Savings Plan (TSP) participation requirements.
 2. Differentiate between CSRS and FERS requirements to participate in the TSP.
 3. Understand the various investment fund options within the TSP.
 4. Identify the TSP withdrawal options.
-

Thrift Savings Plan Overview

Thrift Savings Plan (TSP):

“Are you participating in the (TSP)?”

The TSP is a special tax deferred savings and investment program for Federal employees which is similar to the “401(k)” plans available in private industry. The Federal Retirement Thrift Investment Board, an independent Government agency, administers the TSP. The legislation providing for the Thrift Savings Plan is included in the Federal Employees Retirement System (FERS) law.

Contribution Rules:

The contribution rules are different for CSRS and FERS employees:



CSRS participants can contribute up to 5% of their basic pay each pay period to their TSP accounts. They do NOT receive any agency matching contributions.



The Government will automatically contribute 1% of a FERS employee's basic pay to establish a TSP account. FERS employees who contribute to the TSP can receive up to 4% more in agency matching contributions, for a maximum government contribution of 5%, depending upon the amount of the employee's contribution. (See table on the following page.) FERS employees may contribute up to 10% of pay not to exceed the IRS limit (\$10,500 for 2001).

Thrift Savings Plan Overview

Contribution

Rules:



If a FERS Employee Contributes:	Government will Contribute: (Includes 1% Automatic Contribution)
0%	1%
1%	2%
2%	3%
3%	4%
4%	4.5%
5%	5%
6-10%	5%

FERS and CSRS participants are always vested in their own contributions and the earnings on their contributions.

In addition, FERS participants are always vested in the matching contributions their agencies make, as well as the earnings on the matching contributions. Most FERS employees become vested in their Agency Automatic (1%) Contributions after completing three years of Federal civilian service. A FERS employee who leaves Government service before satisfying the vesting requirement for the Agency Automatic (1%) Contributions forfeits these contributions and the earnings on them to the TSP. If an employee dies before separating, all amounts in the TSP account will be vested automatically.

Thrift Savings Plan Overview

Investment Funds:



CSRS and FERS participants can invest any portion of their accounts in three TSP investment Funds:

1. G Fund - Government Securities Fund
2. F Fund - Fixed Income Index Investment Fund
3. C Fund - Common Stock Index Investment Fund
4. I Fund - International Stock Index Investment Fund*
5. S Fund - Small Capitalization Stock Index Fund*

***Note:** The two new funds that Congress authorized in 1997, will be available for participation in May 2001. See your "Retirement Planning Guide" for more information on the various TSP funds.

TSP

Open Season:

There are two "Open Seasons" each year during which employees may start contributing or change the amounts of contributions to the Thrift Savings Plan.

When TSP's new record keeping system becomes operational in 2001, the Open Season periods will run from April 15 - June 30, and from October 15 - December 31 of each year. The months of June and December are the election periods.

Interfund Transfers:

An interfund transfer is the movement of some or all of your existing TSP account balance among the different funds. All TSP participants may make an interfund transfer during any month without an annual limit. Interfund transfers submitted to Thrift Savings Board by the 15th of the month, become effective on the last day of the month.

Thrift Savings Plan Overview

Interfund Transfers:



Currently, participants can make an interfund transfer using one of two methods:

1. By submitting the TSP-30 (Interfund Transfer Request) to the TSP Service Office; or,
2. By using the ThriftLine (1-504-255-8777).



When TSP's new record keeping system is operational in 2001, TSP participants will be able to make interfund transfers on a daily basis. In addition, participants will be encouraged to make interfund transfers using TSP's web site (www.tsp.gov).

In-Service Withdrawal Options:

In-Service withdrawal options became available in 1997. Federal employees who are currently working for the Government have an opportunity to make in-service withdrawals from their TSP account. This program includes two types of withdrawal options:

3. Financial hardship withdrawals; and,
4. An age-based (age 59 ½), one-time lump sum withdrawal.

For financial hardship withdrawals, employees can withdraw all or any portion of the vested TSP account balance. To make this withdrawal, you would need to complete Form TSP-76 (Financial Hardship Withdrawal Package).

For age-based withdrawals, employees who are 59 ½ or older can withdraw any portion of their vested TSP account balance. To make this withdrawal, you must complete Form TSP-75 (Age-Based In-Service Withdrawal Request). All or part of the withdrawal can be rolled over to an eligible account.

Thrift Savings Plan Overview

In-Service Withdrawal Options:

General Notes:



- ⇒ For in-service withdrawals, a TSP participant permanently depletes the account of the amount withdrawn;
- ⇒ Participants cannot repay the money or convert it to a loan;
- ⇒ In-service withdrawals are subject to income taxes for the year in which the withdrawal is received;
- ⇒ Currently, withdrawals are disbursed once a month. The disbursement month depends on when the forms and other information is received;
- ⇒ A qualifying court order will prevent an in-service withdrawal.



TSP Loan Program:

TSP also has a loan program available for current Federal employees that allows them to borrow their own contributions, plus the earnings on such contributions. There are two types of TSP loans:

- 1) **General purpose loans** can be obtained for any purpose. The repayment period for general purpose loans is from one to four years. Documentation to support the request for a general purpose loan is not required.
- 2) **Residential loans** can be obtained for the purpose of purchasing a primary residence. The repayment period for residential loans is from one to fifteen years. Documentation to support requests for residential loans is required.

Thrift Savings Plan Overview

TSP Loan

Program:



To borrow money from the TSP, employees must have at least \$1000 of their own contributions and earnings in the TSP in order to apply for a loan. The minimum loan amount is \$1000 and the maximum loan amount \$50,000. The loan must be repaid through payroll deductions. Repayment, including interest, is credited to the employee's TSP account.



Repayment of the loan must be spread over at least one year, but not more than four years, unless the loan is for the purchase of a primary residence, in which case the loan repayment period is up to 15 years. You can repay the loan in full before the end of the repayment period without penalty.

Loans which are unpaid at the time of retirement or separation from Federal service may be considered early withdrawals under IRS rules. TSP will declare a taxable distribution on the amount of the unpaid loan balance. The distribution will be subject to income tax for the year in which it is declared, and you may also be subject to the 10% early withdrawal penalty.

Partial payments on residential loans are not permitted. Interest on residential loans cannot be used as a tax deduction since you are paying yourself back. Visit TSP's web site: www.tsp.gov for more information if you are considering a loan.

Court Orders:

TSP must honor qualifying court orders. If a court order is on file and a participant's account is "frozen," TSP cannot approve or disburse a loan.

Loans & Spousal

Requirements: If you are applying for a TSP loan, the chart on the following page summarizes the TSP spousal requirements and the exceptions to these requirements.

Thrift Savings Plan Overview

TSP Loan Program:

Retirement System	Requirement	Exceptions
FERS	Spouse must give written consent to the loan.	Whereabouts unknown or exceptional circumstances
CSRS	TSP must notify the spouse of the participant's loan application.	Whereabouts unknown

TSP Withdrawal Options:

“What are my TSP withdrawal options?”



When you retire or separate from Federal service, you have five options to consider for withdrawing your TSP vested account balance. You can either elect to receive TSP benefits immediately, or you can defer receiving your benefits to a later date. The five options are:



- ⇒ Leave the money in the account (pending a later withdrawal election).
- ⇒ Receive your account in a single payment.
- ⇒ Roll the money over into some other retirement-eligible investment fund.
- ⇒ Receive the account in a series of monthly payments.
- ⇒ Have TSP buy an annuity for you.

You will want to consider these options carefully to determine which one is right for you.

Thrift Savings Plan Overview

TSP Withdrawals When Leaving Federal Service:

To elect one of the withdrawal options, you will need to complete Form TSP-70, Withdrawal Request or Form TSP-70-T, Transfer Information (if appropriate).

Leave the Money in the TSP:



As a separated participant in the TSP, you can elect to keep your account in the TSP. You do not need to submit any election forms until you are ready to make a withdrawal. If you choose to leave your money in the TSP fund, the money may be left in the plan until April 1st of the year following the year in which:

- You reach age 70 ½ ; or,
- You separate from Federal service.



If a withdrawal choice has not been made by the deadline, the Thrift Savings Board is required by law to purchase an annuity for the individual.

If a person leaves Federal service and is 70 ½ years of age or older, s/he will be required by the IRS to receive an amount each year that meets certain minimum distribution requirements, similar to an IRA distribution. The TSP makes these minimum distributions automatically.

If Your Account Balance is under \$3,500:

Under all listed withdrawal options, if the vested account balance is \$3500 or less (regardless of eligibility for retirement), the account balance will be paid to you automatically in a single payment. This is called an "automatic cash out." The TSP will notify you before the payment is made and will give you the opportunity to choose another withdrawal option or elect to leave the money in the TSP for withdrawal at a later date. Such payments will be subject to the same taxes as other cash payments from the TSP.

Thrift Savings Plan Overview

TSP Withdrawals When Leaving Federal Service:

Single Payment Option:



If you elect a single payment option, you will be subject to a 20% Federal tax withholding; 80% will be mailed to you.

Under IRS regulations, you will have 60 days from date of receipt of your payment to reinvest the amount received in an IRA or other eligible retirement plan to avoid tax penalties. The 20% mandatory tax withholding will still apply.



If you separate or retire from Federal service before the year in which you reach age 55 and you withdraw your account balance in a single payment, you will be subject to the 10% IRS penalty for early withdrawal on all payments you receive prior to age 59 ½. This penalty does not apply, however, if your separation is based on a disability retirement.

The TSP must report all payments made to you to the IRS. By January 31st of the year following the receipt of payment from your account, TSP will send you a Form 1099-R.

Transferring the TSP Account to an IRA:

When you separate from Federal service, you may request the TSP to transfer all or part of your account to an IRA account or other eligible retirement plan.

To transfer your TSP account to an IRA or other eligible retirement plan, both you and the financial institution that is to receive your money must complete Form TSP-70-T, Transfer Information. Do not complete the financial institution's transfer forms; TSP cannot accept them. Direct transfers from the TSP office to another financial institution are not reported to IRS and are, therefore, not taxed at time of transfer.

Thrift Savings Plan Overview

TSP Withdrawals When Leaving Federal Service:

Series of Payments: You may elect to withdraw the account in a series of equal monthly payments. You can choose among the following options:



- ✓ You can choose the number of monthly payments you want to receive. The amount of the monthly payments must be \$25 or more;
- ✓ You can choose monthly payments in a specific dollar amount, as long as the amount is at least \$25.00. You will receive payments in the amount that you request until your entire account balance has been paid to you;
- ✓ You can have monthly payments calculated according to IRS life expectancy Table V (single life).



If the series of payments is expected to last less than 10 years and is not calculated based on the IRS life expectancy table, the participant can have the TSP transfer all or part of each monthly payment to an IRA or other eligible retirement plan.

Participants cannot change the number or dollar amount of payments once they have begun; however, participants can request to receive a final single payment.

Purchase an Annuity:

You can elect to have TSP purchase a lifetime annuity for you. An annuity is a monthly benefit paid to you for life.

Thrift Savings Plan Overview

TSP Withdrawals When Leaving Federal Service:

Purchase an Annuity:



In order to purchase an annuity your account balance must be at least \$3,500. If your account balance is less than \$3,500, you can request an annuity with a specific future date as long as the account is at least \$3,500 when the annuity is purchased.



Annuities are administered by an insurance company that holds a contract with the Thrift Savings Board. You can purchase different types of annuities, all of which contain different features you can select. The three types of annuities are:

1. Single life annuity;
2. Joint life annuity with spouse;
3. Joint life annuity with other survivor.

Refer to the booklet, *Thrift Savings Plan Annuities* for more information about TSP annuities, or visit TSP's web site at www.tsp.gov.

Rights of Spouses:

The TSP law gives certain rights to spouses. If you are married and your vested account balance is more than \$3,500, the spousal rights requirements must be satisfied before you can withdraw your account.

If you separate from Federal service and *are not eligible for retirement benefits under CSRS or FERS*, the law specifies that spouses and former spouses must be notified, unless their whereabouts are unknown.

Thrift Savings Plan Overview

Rights of Spouses:



All married participants are required to complete Section IV of Form TSP-70. This form documents marital status and provides information about current and former spouses as applicable. Spouses' rights for separated TSP participants *who are eligible for retirement benefits under CSRS and FERS* are summarized in the chart below.



Spousal Rights		
Retirement System	Requirement	Exceptions
FERS	Spouse is entitled to a joint life annuity with 50% survivor benefits, level payments, and no cash refund feature, unless s/he waives this right*	Whereabouts unknown or exceptional circumstances
CSRS	Spouse is entitled to notification by TSP of the participant's election	Whereabouts unknown

- * For you to receive a withdrawal option other than an annuity, your spouse must complete Form TSP-70, Withdrawal Request, to waive this benefit. For you to receive an annuity option other than the required annuity, your spouse must complete Form TSP-11-C, Spouse Information and Waiver, to waive the required annuity.

Thrift Savings Plan Overview

Rights of Spouses:



Under certain circumstances, the exceptions may be made to the spouse's right to a survivor annuity (FERS) or notice (CSRS).

If the whereabouts of your spouse are unknown, or if there are exceptional circumstances (applicable to FERS employees only) that make it inappropriate for you to obtain your spouse's signature, you may apply for an exception to the spouse waiver and notice requirements. To apply for a waiver, Form TSP-16, Exception to Spousal Requirements, must be submitted to the TSP Service Office at the address on the form. In addition to Form TSP-16, required documentation supporting your claim must also be submitted.

TSP & Court Orders:

TSP must honor qualifying court orders which award all or part of a TSP account to a former spouse. If TSP determines that a court order is valid and applies to your TSP account, TSP will comply with the court order before it can process your withdrawal. A participant cannot make a decision concerning his/her account that will conflict with a qualifying court order obtained by a spouse or former spouse.

Thrift Savings Plan Overview

TSP's New Record Keeping System:



TSP expects to have a new record keeping system operational sometime in 2001. Listed below is a brief summary of how the new record keeping system will impact your TSP account.

- ✓ TSP will be a daily-valued system, which means that loans, withdrawals, contribution allocations and interfund transfers will be processed every business day;
- ✓ TSP will be a unit-based system, which means that investments in each of the funds will be stated in unites, rather than dollar amounts;
- ✓ TSP participants will be required to make all investment decisions by filing requests directly with TSP. Participants will be encouraged to make all investment decisions by using the web site or the ThriftLine;
- ✓ Participants will be able to make investment decisions at any time. They will not be restricted to Open Seasons, and there will be no limit on the number of allocation changes or interfund transfers;
- ✓ Separated participants will have the option to withdraw a portion of their account balance in a single payment, and leave the rest in the TSP for a later withdrawal.

Your Key TSP Contact:

Your key contact for the Thrift Savings Plan is:

**Thrift Savings Plan Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500**

Telephone: (504) 255-6000 or
TDD: (504) 255-5113

Thrift Savings Plan Overview

Your Key

TSP Contact:

Also, visit the TSP web site at: www.tsp.gov.

TSP can answer specific questions you may have about your account and can send you withdrawal materials to supplement the Withdrawal Package you get from your agency when you separate from Federal service.

TSP Forms and Materials:

The forms and information you will need are listed in the chart below. Most of them are available and can be downloaded from TSP's website at www.tsp.gov.

To withdraw your account:

- Form TSP-70, Withdrawal Request (including Form TSP-70-T, Transfer Information)
- Form TSP-16, Exception to Spousal Requirements
- *Withdrawing Your TSP Account (booklet)*
- *Thrift Savings Plan Annuities (booklet)*
- "Important Tax Information About Payment From Your Thrift Savings Plan Account"

To keep your account information up to date:

- Form TSP-3, Designation of Beneficiary
- Form TSP-9, Change of Address for Separated Participants
- Form TSP-15, Change in Name

For beneficiaries to receive your account:

- Form TSP-17, Application for Account Balance of Deceased Participant
- "Important Tax Information About Thrift Savings Plan Death Benefit Payments"

Other information:

- "Background Information on Exceptions to Spousal Requirements"
- "Information About Your Thrift Saving Plan Required Minimum Distribution"
- "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders"
- *Information About Court Orders (booklet)*

Thrift Savings Plan Overview

Tips for Successful TSP Withdrawals:

You can get all of the TSP forms listed in the previous chart from your agency personnel office before you separate from Federal service. After you leave Federal service, you will need to contact the TSP Service Office to get the forms, or you can download them from TSP's website.

- Obtain the TSP booklet entitled "Withdrawing Your TSP Account" from your agency personnel office or by downloading it from the TSP web site at www.tsp.gov
- Read the Withdrawal Booklet and the tax notice your agency gives you when you separate.
- Your separation is automatically documented for you when you leave Federal service. It can't hurt, however, to follow-up with your agency and the Thrift Savings Board to be sure.
- If you have a TSP loan, repay it, or a taxable distribution to you will be declared before your withdrawal can be processed.
- Check your withdrawal forms before you mail them to make sure they are correct and complete — including a signature and date.
- Make a copy of your withdrawal forms for your records.
- Notify the TSP Service Office in writing immediately if there is any change in your address.

Thrift Savings Plan Overview

Projecting Your TSP Account Balance:

“How can I estimate my TSP account balance?”

The size of your account balance depends on how much you (and your agency, if you are a FERS employee) have contributed to your account. Your account balance also depends on how it has grown as a result of earnings on your investments.

You should be aware that future inflation may erode the purchasing power of your projected account balance. However, higher rates of inflation are often accompanied by higher pay increases and higher rates of investment return.

To project an estimate of your account balance, refer to the booklet, “A Summary of the Thrift Savings Plan for Federal Employees.” This booklet contains factor tables which will help you estimate how your account balance will accumulate.

Also, The TSP web site (www.tsp.gov) has a “calculator” that allows you to enter a current account balance, after which it projects the future growth of your existing account, plus future contributions.

Thrift Savings Plan Overview

TSP

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Thrift Savings Plan Overview

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Glossary

Key Terms:

Key terms are defined here so that you can use this glossary as a quick reference guide when searching for definitions.

AIME:	AIME stands for "Average Indexed Monthly Earnings," which are an individual's average earnings over his or her lifetime subject to Social Security during all periods of employment. An individual's average earnings subject to Social Security are a factor in determining the amount of the monthly benefit.
Basic Annuity:	This is the annual gross amount that you will receive upon retirement, which is payable at the beginning of each month. It is based on your total years of creditable service and your High-3 Average Salary. There are potential adjustments to basic annuity amounts.
Break in Service:	A break in service is any period of time that you were not employed by the Federal government for more than three consecutive days.
Civilian Deposit:	A civilian deposit equals the amount of money owed, plus applicable interest, for periods of service when no retirement contributions were withheld from pay. (e.g., temporary service).
COLA:	COLA is the acronym for "cost of living adjustment." COLA's for retirees become effective December 1 st of each year. COLA's are given to CSRS and FERS retirees to increase the amount of the monthly annuity, and are also included in Social Security benefits and survivor benefits.

Glossary

Key Terms:

Creditable Service:	Creditable service is all service that can be used to determine eligibility for retirement and to determine service used in the annuity computation. There are different types of creditable service, including covered service, refunded service, nondeduction service and military service.
CSRS:	CSRS is the Civil Service Retirement System, which was established in 1920. Originally, all Federal employees hired under a covered position prior to 1/1/84, were covered under this single-benefit system. Beginning in 1999, employees contributed 7.25% ¹ of basic pay into this retirement fund to finance retirement benefits. In January 2000, the CSRS contributions rate increased to 7.4%. In January 2001, the CSRS contributions rate will revert back to the pre-1999 amount, which is 7%. Employees covered under special retirement provisions (e.g., law enforcement officers, firefighters, congressional employees, etc.) contribute a higher percentage of base pay into the retirement fund. They contributed 7.75% in 1999, and 7.9% in 2000. Their contributions will revert back to 7.5% in 2001.
CSRS Offset:	CSRS Offset is a version of CSRS which covers employees who become subject to Social Security taxes after separating from Federal service after 12/31/83, and have at least five years of creditable civilian service under CSRS when they are rehired. CSRS Offset employees pay OASDI taxes (6.2%) and a reduced CSRS contribution to the retirement fund. Generally, CSRS Offset refers to CSRS employees rehired on or after January 1, 1984, with a break in CSRS coverage of more than 365 days.

¹P. L. 106-346, which was signed by the President on October 23, 2000, reverts the CSRS and FERS withholding rates for all employees, other than Members of Congress, to those rates that were in effect before 1999. CSRS employees covered under special retirement provisions will contribute 7.65% in 2000, and 7.75% in 2001.

Glossary

Key Terms:

CSRS Rehires:	CSRS rehires are employees who have previous Federal civilian service and are rehired under a CSRS appointment with a break in service of less than 365 days.
Deposit Service:	<p>Deposit Service (or nondeduction service) is service during which no retirement deductions are withheld from base pay. CSRS retirees who have periods of deposit service receive credit for retirement eligibility regardless of whether they pay a deposit for the service. If the deposit is not paid, how the deposit service is credited in the annuity computation depends on when the deposit service was performed.</p> <p>Under FERS, to receive service credit for eligibility purposes and in the computation of the annuity, the deposit service must have been performed prior to 1/1/89, and a deposit of 1.3%, plus interest, must be paid.</p>
FEGLI:	FEGLI Federal Employees' Group Life Insurance) Program. Eligible employees can participate in the program (or waive FEGLI coverage) and choose different types of life insurance coverage for themselves and eligible family members. This coverage can be continued into retirement if certain eligibility requirements are met.
FEHB:	FEHB is the Federal Employees Health Benefits) Program. Eligible employees can participate in the program. FEHB provides different health benefits carriers and options for employees and their eligible family members. This coverage can be continued into retirement if certain eligibility requirements are met.

Glossary

Key Terms:

FERS:	<p>FERS is the Federal Employees Retirement System, which became effective on January 1, 1987. FERS is a three part retirement system that includes basic defined benefits administered by OPM, the Thrift Savings Plan Investment Board, and the Social Security Administration. Individuals covered under FERS pay a small contribution to the retirement fund², Social Security taxes (6.2%) and receive an automatic 1% contribution to their Thrift Savings Plan account. FERS employees can also contribute up to 10% of their base pay to their TSP account and receive up to 4% in agency matching contributions.</p> <p>Generally, all new Federal employees hired on or after 1/1/87 are automatically covered under FERS, unless the appointment is excluded from FERS coverage. CSRS employees may elect FERS coverage under certain conditions.</p>
High-3 Average Salary:	<p>The high-3 average salary is the average of basic pay during the consecutive three-year period when basic pay rates are the highest, usually the last three years of service during an employee's career.</p>
Leave Without Pay LWOP:	<p>LWOP is time taken off from work when an employee is in a non-pay status.</p>
Length of Service:	<p>Length of service is the total amount of all creditable service (civilian and military) which can be used to compute the annuity. For CSRS employees (or FERS employees with a CSRS component), unused sick leave can be used to increase the length of service once retirement eligibility is established.</p>

²P. L. 106-346, which was signed by the President on October 23, 2000, reverts the CSRS and FERS withholding rates for all employees, other than Members of Congress, to those rates that were in effect before 1999 (.8%). FERS employees contributed 1.05% of base pay to the retirement fund in 1999, and 1.2% in 2000. FERS employee covered under special provisions contribute 1/4 % more.

Glossary

Key Terms:

Minimum Retirement Age (MRA):

For FERS employees, this is the minimum age at which you can voluntarily retire. The MRA is determined by the year in which you were born.

OPF:

“OPF” is the acronym that stands for “Official Personnel Folder.” The OPF contains records of all actions related to your Federal work history.

PIA:

The PIA, or Primary Insurance Amount, is a three-tiered formula used to calculate monthly Social Security benefits. The dollar amounts in the formula are adjusted each year as the average wages change.

Redeposits:

Redeposits refer to money you pay back into the retirement fund (plus applicable interest) to cover any period of covered service that was refunded to you upon separation from Federal service.

Redeposits can be made only by CSRS employees, or FERS employees who have a CSRS component. The key factor in determining whether a redeposit should be made is when an employee’s period of refunded service ended (pre or post 10/1/90).

Reemployed Annuitant:

A reemployed annuitant is an individual who retired under CSRS or FERS, and is subsequently rehired (re-employed) in a position for which s/he is qualified. There are several rules that apply to re-employed annuitants upon their return to Federal service.

Refunds:

A refund is a return of your retirement contributions made to the retirement fund, including deposits and redeposits paid, voluntary contributions, and interest due. Refunds can be taken upon separation from Federal service of at least 31 days. If an individual is eligible for an immediate annuity, s/he is not eligible to take a refund of contributions.

Glossary

Key Terms:

Separation:	A separation is any break in service from Federal employment for more than 3 consecutive days.
Service Computation Date (SCD):	The SCD is used for computing creditable service. The date is based on when you were first hired by the Federal government and excludes breaks in service. You have a separate SCD for "leave" and for retirement purposes. These dates may or may not be the same.
TransFERS:	<p>TransFERS were CSRS and CSRS Offset employees who elected to transfer to FERS during open seasons held in 1987, 1988, and 1998, and who had at least five years of service (CSRS-only or FICA-only) prior to the transfer. TransFERS will have part of their annuity computed under CSRS rules.</p> <p>Currently, CSRS or CSRS Offset employees who are rehired after a break in service of four or more days have a six-month opportunity to elect to transfer to FERS.</p>
Thrift Savings Plan (TSP):	The Thrift Savings Plan is a retirement savings plan specifically created for Federal employees. This is a defined contribution plan in which both CSRS and FERS employees can participate. FERS employees also receive an automatic 1% government contribution and may receive up to 4% agency matching contributions.
WAE:	"WAE" is an acronym that stands for "when actually employed." When an employee has WAE service, or intermittent service, s/he usually does not work full-time and does not have a regularly scheduled tour of duty. Seasonal work is an example of WAE, or intermittent service.

Key Terms:

**Workers'
Compensation
(OWCP):**

OWCP is a type of compensation received because of a work-related injury or disease. OWCP is administered by the Department of Labor's Office of Workers' Compensation Programs. A "compensation" is an individual who is on OWCP's rolls and receiving OWCP benefits.

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